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AUDIT AND GOVERNANCE COMMITTEE

Tuesday 23 July 2024
2.00 pm
Warspite Room, Council House

Members:
Councillor Allen, Chair
Councillor Finn, Vice Chair
Councillors Cuddihee, P.Nicholson, Raynsford, Stevens and Independent Member Mrs Benny.

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

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Tracey Lee
Chief Executive

Audit and Governance Committee

Agenda

1. To note the appointment of Chair and Vice Chair for the Municipal Year 2024/25

To note the appointment of Councillor Sarah Allen as Chair, and Councillor Lee Finn as Vice Chair, for the Audit and Governance Committee for 2024/25.

2. Apologies

To receive apologies for non-attendance submitted by Committee Members.

3. Declarations of Interest

Members will be asked to make any declarations of interest in respect of items on this Agenda.

4. Minutes **(Pages 1 - 8)**

To confirm the minutes of the meeting held on 12 March 2024.

5. Chair's Urgent Business

To receive reports on business which, in the opinion of the Chair, should be brought forward for urgent consideration.

6. Role of an Audit Member: **(Verbal Report)**

7. Management Response to GT 2024 Actions including a revised Management Review and Action Plan addressing the CIPFA Financial Management Code: **(Pages 9 - 46)**

8. External Audit - 2020-21 Audit Findings Report: **(Pages 47 - 94)**

9. External Audit Report - Progress Report/Plan 2023/24: **(Pages 95 - 112)**

10. Update on Capitalisation Directive: **(Verbal Report)**

11. Statement of Accounts 2019/20 Accounts and 2020/21 Accounts: **(Pages 113 - 344)**

12. Draft Statement of Accounts 2023/24: **(Pages 345 - 470)**

13. Treasury Management Outturn Report 2023/24: **(Pages 471 - 484)**

14. Internal Audit End of Year Report: (Pages 485 - 518)

15. Internal Audit Strategy and Charter 2024/25: (Pages 519 - 542)

16. Internal Audit Actions Review: (Pages 543 - 550)

17. Counter Fraud Annual Report: (Pages 551 - 562)

18. Annual Governance Statement: (Pages 563 - 620)

19. Electoral Cycle Consultation: (Pages 621 - 636)

20. Constitutional Update: (Pages 637 - 658)

21. Contract Standing Orders: (Pages 659 - 708)

22. Procurement Strategy: (Pages 709 - 728)

23. Risk Management Monitoring Report: (Pages 729 - 736)

24. Annual Information Governance Statement: (Pages 737 - 760)

25. Tracking Decisions: (Pages 761 - 764)

26. Work Programme: (Pages 765 - 768)

27. Exempt Information

To consider passing a resolution under Section 100A(4) of the Local Government Act, 1972 to exclude the press and the public from the meeting for the following items of business, on the grounds that they involve the likely disclosure of exempt information, as defined in paragraph 3 of Part 1 of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

Part II (Private Meeting)

28. Internal End of Year Report Part 2: (Pages 769 - 774)

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Audit and Governance Committee

Tuesday 12 March 2024

PRESENT:

Councillor Allen, in the Chair.
Councillor Finn, Vice Chair.
Councillors Dr Mahony, Raynsford and Stevens.

Independent Member Mrs Benny attended via Microsoft Teams and was therefore unable to vote.

Also in attendance: Liz Bryant (Head of Legal), Wendy Eldridge (Lead Accountancy Manager), Glenda Favor-Ankersen (Head of Electoral Services), Carolyn Haynes (Head of Finance), Ross Jago (Head of Governance, Performance and Risk), Iain McGlashan (Manager of Registration, Data and Performances), David Northey (Service Director for Finance), Hannah Whiting (Democratic Advisor), Paul Dossett (Grant Thornton), David Johnson (Grant Thornton) and Justine Thorpe (Grant Thornton).

The meeting started at 12.35 pm and finished at 2.14 pm.

Note: At a future meeting, the committee will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

55. **Declarations of Interest**

No declarations of interest were made.

56. **Minutes**

The Committee agreed that the minutes of the meeting held on the 16 January 2024, were an accurate record.

The Committee noted that the action to share news relating to the conclusion of matters in relation to the pension transaction was sent in the form of a press release to all Councillors, and was not a report on the decision sent in advance to members of the Committee.

David Northey (Service Director for Finance) apologised that Mrs Benny had not received a copy of the press release, and a copy would be sent following the meeting.

57. **Chair's Urgent Business**

There were no items of Chair's urgent business.

58. **External Audit - Progress Report**

The Committee agreed to change the order of the agenda to allow relevant officers to attend and moved the following items earlier in the agenda:

- External Audit – Progress Report
- External Audit – Audit Findings Report 2020/21.

Councillor Raynsford joined the meeting during this item, at 12:49.

Paul Dossett (Grant Thornton) and Justine Thorpe (Grant Thornton) introduced the item and highlighted the following points:

a) The medium term financial plan;

b) Responses to all of the recommendations were included.

In response to questions, with support from David Northey (Service Director for Finance) and Ross Jago (Head of Governance, Performance and Risk) the following was discussed:

c) Pressure on reserves;

d) Plymouth had lower reserves than other authorities of a similar size;

e) Internal auditors would identify issues with no-statutory services;

f) The decision provisionally allowing the capitalisation of the pension transaction did not have an impact on the report, and a timetable would be provided by the Department of Levelling Up, Housing and Communities (DLUHC);

g) Backstop arrangement;

h) Response to financial pressures on Children's Services had been included in the report;

i) An item to provide assurance on all of the regulatory regimes the Council was subject too would be brought to a future meeting.

The Chair briefly left the room at the end of this item.

59. **External Audit - Audit Findings Report 2020/21**

The Chair returned to the meeting during this item at 13:02.

Paul Dossett (Grant Thornton) and David Johnson (Grant Thornton), supported by David Northey (Service Director for Finance). introduced the item and highlighted the following points:

a) Asset evaluation;

b) Had it been possible to complete the reporting in line with reporting deadlines, some of the issues identified would have been addressed by management;

c) The most relevant information to the year under review had been included;

d) Once the 2019/20 accounts had been signed off, the 2020/21 accounts could be signed off with an unqualified opinion.

In response to questions, the following was discussed:

e) David Northey would be happy to provide a break down of the 'Grants Income Recognition and Presentation' totalling £313.5m and how much was capital and revenue, and how much was provided to outside organisations, and how much was for COVID19 support, to the Committee;

f) Paul Dossett was happy with improvements made by the Council to address concerns relation to financial governance;

g) There would be an independent review into the pension transaction from October 2019 and as soon as there was information on when the review was to take place, and what its scope would be, David Northey would let members of the Committee know, as well as any other relevant members;

h) The hedge fund transaction had been reported to the Audit and Governance Committee;

i) The interest rate swap was discussed at the Audit and Governance Committee, and the approach was approved.

60. **Whistleblowing Policy** (To Follow)

Ross Jago (Head of Governance, Performance and Risk) introduced this item and highlighted:

a) There had been no updates made to the policy since it had been approved by the Committee in 2022/23.

In response to questions, supported by Liz Bryant (Head of Legal Services), the following was discussed:

a) Trade Unions were happy with the policy;

b) Ross Jago (Head of Governance, Performance and Risk) agreed to provide members with an explanation as to why people such as Councillors, agency workers and contractors were exempt from the Whistleblowing Policy;

c) It was suggested that Section 3.4 be considered for re-wording, as it put too much pressure on people to put their name to a whistleblowing report;

d) Section 2.2 did not include inappropriate behaviour, so Ross Jago (Head of Governance, Performance and Risk) agreed to provide information to members on how this would be dealt with through existing HR policies, or if it needed to be included in the Whistleblowing Policy;

e) It was suggested that Section 6.1 a should be changed to 'any Councillor';

f) It was suggested that 'MP's' be included in Section 6.1;

g) Ross Jago (Head of Governance, Performance and Risk) agreed to provide information to the Committee on process if the Service Director was the subject of a Whistleblowing issue.

The Committee agreed to note the Whistleblowing Policy.

61. **Internal Audit Plan 2024/25**

Louise Clapton (Audit Manager, Devon Audit Partnership) introduced the report and highlighted:

a) The key objective of the Devon Audit Partnership (DAP), as Plymouth City Council's (PCC) internal audit provider was to understand the key risk of the Council and to examine and evaluate the adequacy and effectiveness of the risk management and to contribute to the proper economic efficient and effective use of resources;

b) DAP had a statutory duty to provide an annual audit opinion and this is formed from a wide range of information include external audits, external reviews and improvement plans;

c) Strategic and operational risks, global risk themes, previous internal audit work, the ongoing management action tracking, internal audit work, budget pressures and savings plans had all been considered in preparation for 2024/25;

d) The detailed scope and objectives of each of the areas under review would be developed at the audits were undertaken during the year;

e) The Internal Audit Plan would be subject to change throughout the year in order to remain agile and responsive to Council risks and audit needs, and the Committee would be kept updated at meetings throughout the year.

The Committee agreed to note the report.

62. **Treasury Management Practices, Principles and Schedules 2024/25**

Wendy Eldridge (Lead Accountancy Manager) introduced the report and highlighted the following points:

a) The Council had an authorised overdraft limit with Barclay's at £100,000;

b) Interest rate risk had featured throughout 2023/24 and would continue into 2024/25;

c) Projections of Bank of England rate reductions and the sources of other local authority lending being limited in the final quarter;

d) The authority aimed to be a responsible investor and would consider environmental, social and governance issues when investing;

e) It was recommended practice that local authorities invested in banks and fund that were signatories to the UN principles of responsible banking and in funds that were operated by

managers that were signatories to UN principles of responsible investment, Net Zero asset managers alliance, and the UK stewardship code;

f) At times of high borrowing the Council had taken measures to hold borrowing at fixed rates;

g) Borrowing to support cash flow would continue to be a risk;

h) Treasury Management staffing increased;

In response to questions, and supported by David Northey (Service Director for Finance), the following was discussed:

i) Local authorities did not get any formal financial rating;

j) There was a Treasury Management Board meeting on 21 March 2024, which the members of the Committee had been invited too, where the external treasurers would provide an update on the economy, interest rates and more;

k) Members of staff at the Council met with people from Arlingclose when reviewing investments;

l) David Northey received regular email updates from CCLA, a recognised local authority investment holding fund, that PCC invested with;

m) A Microsoft Teams space had been set up by Arlingclose to enable PCC to be more dynamic;

n) Borrowing through brokers would allow the interest rate swap to happen;

o) The Public Works Loan Board had a very competitive interest rate;

p) David Northey was having monthly meetings with Arlingclose on knowledge and advice on future economics.

63. **Risk Management Monitoring Report - March 2024**

Ross Jago (Head of Governance, Performance and Risk) introduced the item and highlighted the following points:

a) A new risk management process had been introduced that involved more staff within the organisation being involved and was supported by Microsoft 365 for reporting and updates;

b) Further changes to the risk profile were to be expected in the coming weeks and months, particularly as some audit recommendations were actioned to better align risks to the Corporate Plan and the priorities within it;

c) Five health and safety risks had been added to the register after discussions with the new head of Health, Safety and Well-being;

d) Other areas of change included homelessness expenditure, adult social care workforce, and housing delivery;

e) There had been reductions in risk in relation to capitalisation directives and expenditure exceeding resources due to the publication of the MTFS;

f) There had been a recommendation from national government to maintain cyber-attack at the highest level of risk, despite mitigations;

g) Supply Chains remained unchanged;

h) Some stability in adult social care, although not sure the longevity of this;

i) Major programmes of improvement were underway as a result of various inspections.

In response to questions, the following was discussed:

j) The risk relating to lawful accounting had been high due to the unresolved Miel transaction, which had been resolved after the publication of the papers for the meeting, so had reduced and would be reflected in a future report to the Committee;

k) Colleagues had been working hard to mitigate against cyber attack with DELT, but it was national government that asked risk to remain high for cyber attack.

The Committee agreed to note the report.

64. **Polling Districts, Place and Stations Review 2023**

Glenda Favor-Ankersen (Head of Electoral Services) and Iain McGlashan (Manager of Registration, Data and Performances) introduced the report and highlighted:

a) The report was being brought to the Audit and Governance Committee for approval, before going to City Council in September 2024;

b) There were going to be five new polling stations;

c) Some changes in polling stations had been made to ensure that schools could stay open on polling days.

In response to questions, the following points were discussed:

d) Signage at previous polling stations would always be put in place to direct people to their 'new' polling station;

e) A change in Peverell needed to take place for the May 2024 elections because of the closure of a previously used polling station, it would be made a permanent polling station when the report was agreed by Council in September 2024;

f) If signage at High Street Primary School was still in place, the elections team would ensure it was removed as soon as possible.

The Committee agreed to note the draft proposed recommended changes to polling stations as set out in the Polling Districts, Places and Stations Review 2023 Recommendations Report, for the reasons set out in that report.

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Audit and Governance Committee

Date of meeting:	23 July 2024
Title of Report:	**Management Response to GT 2024 Actions including a revised Management Review and Action Plan addressing the CIPFA Financial Management Code**
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Service Director for Finance)
Author:	David Northey
Contact Email:	David.northey@plymouth.gov.uk
Your Reference:	DJN/Audit 2024
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

To update the Audit and Governance Committee with a formal response to the observations and recommendations from Grant Thornton, as set out in their reports to the March 2024 Audit and Governance Committee meeting. The two reports are The Audit Findings Report for Plymouth City Council (year ended March 2021) and Interim Annual Auditor's Report on Plymouth City Council (Draft) 2022/23. All management actions and status have been discussed and agreed with the external auditors.

The report includes an update to the Management Review of the CIPFA Financial management Code plus an action plan to address the areas requiring improvement.

Recommendations and Reasons

1. That the Committee note the responses to the recommendations, as set out in the report.
2. That the Committee note the management review of the CIPFA Financial Management Code and action plan

Reason
It is an opportunity to give the Committee assurance around the good governance of the Council's finances.

Alternative options considered and rejected
No alternative considered as not addressing the improvement recommendations would not have given the necessary assurances to either the Committee or the external auditors.

Relevance to the Corporate Plan and/or the Plymouth Plan
Nothing as a result of this report

Implications for the Medium Term Financial Plan and Resource Implications:

None as a direct result of this report, but where there are actions to be taken these will strengthen the production of the MTFP.

Financial Risks

None as a result of this report.

Carbon Footprint (Environmental) Implications:
None as a result of this report

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:
** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*
None as a result of this report

Appendices
**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
		1	2	3	4	5	6	7
1	The Cipfa Financial Management Code							

Background papers:

**Add rows as required to box below*

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

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

Sign off:

Fin	HS.24.25.11	Leg	LS/0000360 9/1/LB/04/07/24	Mon Off	Click here to enter text.	HR	Click here to enter text.	Assets	Click here to enter text.	Strat Proc	Click here to enter text.
Originating Senior Leadership Team member: David Northey											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 02/07/2024											
Cabinet Member approval: *Cllr Mark Lowry approved via email* Date approved: 02/07/2024											

The Audit Findings for Plymouth City Council Year ended 31 March 2021.

As the report itself states, although reporting on findings in the Draft 2020/21 Statement of Accounts, which were published in 2021, Grant Thorton's audit work was completed remotely during 2023 and 2024. Their report was published in March 2024 for the Audit and Governance meeting held that month.

The report sets out under the heading **Financial Statements – Internal Control** one red risk and six amber risks. Of these, the one red and three of the amber relate to issues with segregation of duties. Management have provided GT with written assurances on all these areas, and they are now classified as closed.

One recommendation, from their testing of related parties' declarations, stated management should ensure current checks undertaken are sufficiently robust and that any related party transactions are fully considered and appropriately disclosed. GT have been advised of our revised processes and that the March 2024 declarations were extended from the Senior Leadership Team to included third tier managers and have been made aware of the 100% return.

GT testing requested sight of the signed version of the PFI Schools contract, and recommended management should ensure that all signed documents are maintained and available for audit. The recommendation has been noted and, due to the remote audit and its size, this file was unable to be shared. GT are satisfied with the evidence now provided.

When testing payroll starters, leavers and changes, GT recommended where management are transferring data between systems, steps should be taken to ensure that historical data is retained and maintained in order to provide evidence of changes made in year. Management notes the recommendation but point out that the work was undertaken during the pandemic and the audit was delayed, both contributing to the issue. GT have been assured that steps are in place to avoid a recurrence particularly with a replacement HR platform being implemented.

Within an appendix to the report, B. Action Plan – Audit of Financial Statements lists nineteen assessments and recommendations, ranching from High (one) to Medium (six) to Low (twelve). The recommendations and updated management responses are set out below.

Within an appendix to the report, C. Follow up of prior year recommendations, there are six issues and risks previously communicated. Of these, GT has marked one as complete. The other five are set out below.

The Interim Annual Auditor's Report on Plymouth City Council 2022/23

This report sets out recommendations under an action plan for 2022/23, comprising two Key Recommendations and a further eight Improvement Recommendations.

These are supplemented by fourteen follow-up of prior year recommendations, of which three are Key. This report was also published in March 2024 for the Audit and Governance meeting held that month. The recommendations and management responses are set out below.

The Audit Findings for Plymouth City Council Year ended 31 March 2021.

B. Action Plan – Audit of Financial Statements

Green shading denotes complete / closed

Priority	Observation / background	Recommendation	Management response March 2024	Update / progress
High 1	An issue was identified in the 2020-21 audit in relation to a £75m interest rate swap transaction	Management should review the processes in place to ensure that all actions comply with statutory legislation.	GT undertook a review of governance in 2021 and in line with the recommendations contained within the report the Council developed the Executive Decision Governance Route to provide support to members when making decisions on key/unusual or innovative decisions.	**Status - closed**
Medium 1	Journals testing has identified a number of segregation issues.	Management should review the journal process to ensure that sufficient segregation of duty controls are in place and that monitoring processes are sufficient and robust to identify and address any issues identified.	The Lead Accountancy Managers will consider appropriate action to mitigate the risk.	**Status – closed** New controls are in place
Medium 2	The auditor had difficulty in obtaining a transaction level listing for the fees and charges income and other service expenditure, initially the listings provided were at a high level which were not suitable for sampling procedures.	Management should ensure appropriate quality control is in place to ensure that information provided for audit are suitable for testing and agree to balances disclosed in the statement of accounts	There was a different approach to the external audit for 2020-21 to those we have experienced previously and the auditors did not make it clear initially what they required and what they were testing for. We could provide better source information if we understood what the testing was trying to achieve.	**Status – open** will revisit this as part of the 23/24 audit and both PCC and GT will continue to improve dialogue to avoid any further issues.

Medium 3	For a number of OLB assets and Investment Property assets management were unable to provide floor plans to support the measurements used within the calculations. There is a risk that management and valuers will use inaccurate information which could result in a material misstatement within the statement of accounts	Management should ensure that all supporting information is maintained and is consistent with disclosures made in the statement of accounts	New valuation templates have been created for all assets so that there is now an appendix for plans and/or floor areas to be shown. This will ensure that there is a source for floor areas for each valuation as it will state where we obtained them from. However, it should be noted that measured floor plans are not necessary to support measurements. If the source of the floor area can be shown, this is sufficient as it will have been previously measured. A measured plan will not be available for each property as they will have been measured in previous years. This also is true where we have used areas from external valuation reports that have measured the assets in accordance with RICS guidance. The8 will not provide us with a measured floor plan, but we will use their measured floor area. As long as we can provide the source for this measurement, this should be sufficient rather than the actual measured floor plan.	**Status – closed**
Medium 4	Detailed testing on the obsolescence rates used on DRC assets has been performed. There are several assets in which we were unable to assess the obsolescence rate used based on the valuer's commentary and our use of comparison to the VOA s curve was not near the valuer's rate. We have made further inquiry on these, but we were unable to gather any more useful evidence for this.	Management should ensure appropriate obsolescence rates have been applied to all relevant assets.	Within the new DRC valuation template, we now have a box for depreciation where text has to be inserted to detail the physical, functional and economic obsolescence before stating the overall depreciation rate. Obsolescence is considered to be subjective and based on a valuer's professional judgement. However, this depreciation rate is considered after taking into account inspection notes, condition surveys, improvements and any ongoing maintenance. The rates used will be appropriate as they are determined by these factors that are individual to each asset.	**Status – closed**

Medium 5	Three individual errors identified in which valuations have been applied to the wrong asset. As a result, both assets are misstated in the Fixed Asset Register (FAR) by equal and opposite amounts.	Management should ensure that where the fixed asset register is updated that review is undertaken to ensure that all changes in values have been appropriately and accurately updated	This issue is noted and valuers are peer reviewing reports. Valuation report file names are now named by the property code, cross referenced on TechForge and finally, checked against the property code in the FAR issued to us by Finance. By cross-referencing the code three times, this prevents and confusion as to what value is assigned to an asset.	**Status – closed**
Medium 6	Our refcus work identified that all 4 key items selected were in fact adjustments in which the client have corrected prior period errors in the current period, relating to refcus spend incorrectly classified as PPE additions in prior years.	For larger capital projects such as Mill bay the client should perform a close review as to whether any work will be performed on land or assets the council do not own and account for it accordingly. Where the client perform large adjustments for items, they maintain clear working papers, and an audit trail which can be easily accessed, so that they can clearly explain the context, double entry, and evidence the totals involved and the methodology used in arriving at the adjustments.	We will review our procedures and working papers to see how this can be improved.	**Status – closed** Complete but will be tested with the audit work on the next set of accounts
Low 1	Where users have uploaded a manual Journal via the 'Journal Uploads' or 'Load Journals' function on Civica, it is not clear from the G/L listing who has posted the manual Journal.	Management should implement processes to review data passed to the valuer to ensure that it is accurate and in line with the figures included within the fixed asset register.	We will review the functionality to see if the audit trail can be improved. Currently these journals are done by uploads and are run in by the radius user (system).	**Status – closed** Complete but will be tested with the audit work on the next set of accounts

Low 2	It was found that PCC do not have a clear process of how they consider if a transaction is material to a related party. In addition, from cumulative audit knowledge and experience (CAKE) we understand that the prior years audit uncovered that senior officers do not always disclose their related parties, and that the disclosed amount in the note for transactions with Devon Audit Partnership was incorrect and that several in year transactions and outstanding balances for Plymouth Science Park had been omitted.	Management should ensure an appropriate process for identifying and disclosing related parties is in place to ensure all disclosures are included in the statement of accounts	We will review our procedures and working papers to make improvements.	**Status – closed** Complete but will be tested with the audit work on the next set of accounts
Low 3	From our review of the welfare benefit process, it was noted that recovery of debts from overpayments to claimants no longer receiving benefit has decreased. This is because the welfare benefit team were stretched with more benefits being paid out due to covid-19 reducing people's income, so the team did not have capacity to chase outstanding debts. This effects the bad debt provision.	Management should ensure that when calculating bad debt provisions that all debts are considered, and the provision accurately reflects the current position.	The Council has recently employed more staff within the debt management team to improve debt recovery.	**Status – closed** Complete but will be tested with the audit work on the next set of accounts All bad debt provisions are reviewed as part of the closedown procedures to ensure adequacy
Low 4	When undertaking the walkthrough of PPE and IP, we found that management had no formal process of reviewing the source data supplied to the internal valuer and NPS for completeness such as agreeing prior year records and additions and disposals in year.	Management should implement processes to review data passed to the valuer to ensure that it is accurate and in line with the figures included within the fixed asset register.	We will introduce additional reconciliation controls and checks prior to supplying information to the valuer. TechForge is kept up to date and is the central database, Therefore, reliance should be on TechForge. In addition to this, with every valuation, the valuer refers to TechForge to see if there are any updated files that could affect the valuation. This is now the formal process where the onus is on the valuer	**Status – closed** Complete but will be tested with the audit work on the next set of accounts

			to check TechForge for lease updates or changes to the asset. in terms of assets, the rolling programme is issued first, then we value the investment properties as these are done on an annual basis. In terms of any additions or disposals, this is dealt with last and this list of surplus, AHFS and ad-hoc is issued last. However, as with the rolling programme and investment, these assets are check against TechForge when valued to ensure correct assets are valued.	
Low 5	When testing the existence testing, we selected asset naming Street light bulb replacement with asset code TRAA0012A/001. Asset is related to amount incurred in 2014-15. Client is able to provide the breakdown of the asset but is not able to provide invoice copy or anything to support the existence. We have selected replacement sample against this sample in our testing.	Complete records should be maintained to support transactions recorded in the general ledger and to demonstrate the accuracy of disclosures.	We were not aware of this issue and are not sure if this was pursued with us. However, the original transaction ***is now 10 years old***.	**Status – open** Recommendation noted and Finance management will follow up as part of the 2023/24 Audit.
Low 6	Review of instructions provided to the valuer by the Council identified the following issues: 1. no formal terms of engagement document was issues for either internal or external valuers which does not comply with legislation. 2. No formal overriding valuation report has been provided covering the formal valuation process.	Management should ensure that instructions provided to the valuer are in line with legislation requirements.	We will ensure that we receive formal terms of engagement in future as well as an overriding valuation report. Instructions were issues but it is noted that a formal Terms of Engagement was not agreed and saved on file. This will be done going forward and we will ensure we have an email agreeing the Terms of Engagement saved on file. An overriding valuation report was provided covering the formal valuation process. The new valuation templates provide sections where the approach should be explained. This will ensure there is a clear explanation for the method used.	**Status – closed** Recommendation noted

Low 7	In relation to the asset 'Regent Street MSCP', management has stated that the asset is unregistered. However, audit team have acquired the deed for this asset from the client to provide assurance over ownership of the asset.	The Council should ensure that all assets owned are appropriately registered to demonstrate ownership.	We will endeavour to ensure that all owned assets are appropriately registered.	**Status – closed** Recommendation noted
Low 8	In assessing the disclosures in the financial statements in relation to the revaluation of assets the following issues were identified A variance of £320k for one asset due to a variance between the value recorded in the valuer's report and that recorded in the client's records Difficulty in reconciling the overall value of the FAR to the Council's records which is mainly due to a large number of blank lines where no valuation has been applied to the asset.	Processes should be in place to ensure a robust reconciliation between sources of information to ensure all records are accurate and up to date	We will review our procedures and working papers to see how this can be improved.	**Status – closed** Complete but will be tested with the audit work on the next set of accounts
Low 9	We have identified that part of the reconciling difference between the PPE note and note 15.3 relates to depreciation, primarily on children 's centre assets but also on some other assets. The total amount of this is above trivial at £441k. As per paragraph 4.1.2.33 of the code, this states that all depreciation should be written out on assets that are revalued. As a result the auditor is confident that there should be no depreciation on these assets which have been revalued and that the amount in note 15.3 should reflect the revalued amount.	Management should ensure that depreciation and related records are updated in line with the requirements of the Code.	We will review our procedures and working papers to see how this can be improved	**Status – closed** Complete but will be tested with the audit work on the next set of accounts

Low 10	The auditor has recalculated the accounting entries for all assets selected for testing. Overall, no significant issues have been identified. However, the auditor has had significant difficulty in performing the calculations due to the nature of the clients' working papers. Firstly, the FAR was not updated to include all the relevant adjustments such as the depreciation charges which were added manually following a prior year finding that revalued assets were not depreciated by the client. There was also no single working paper which could be used to trace the revaluation movements and shows the clients workings and processes.	We recommend that the client keep and prepare more robust workings which clearly show the revaluation accounting entries so that these can clearly be traced and audited.	The asset register is closed after each financial year to enable work to be undertaken on the following financial year. Due to the significant 3-year delay in getting the 20/21 accounts audited it was not possible to keep Tech Forge open in order to action audit amendments and it has been hard to work on a mostly manual process for amendments due to the delay in being audited and with so many financial years outstanding. It is hoped that once the backstop issue is resolved that we can go back to a more robust method of providing information.	**Status – closed** Recommendation noted
Low 11	We identified that the FAR contains a line for asset no C5390 which was not on the valuers report, the client explained that asset C5390 is included in the line for asset C5149 and therefore the line in the FAR for C5390 should be deleted. Additionally, we identified that lines in the FAR with the asset reference NPP5 represent old AUC which has since been transferred over to the relevant asset as an addition, these therefore also should be deleted from the FAR.	Management should review the Fixed Asset Register is accurate and reflects all relevant adjustments	We will be introducing additional checks and reconciliations as part of the 2023-24 year end process	**Status – closed** Complete but will be tested with the audit work on the next set of accounts

Low 12	We have identified a significant value of VPE assets which have been fully depreciated and sit on the FAR with a nil NBV. The value for this is £30,342k which is well above material. We have challenged management as to whether they undertake a review of assets fully depreciated, for which they have confirmed that no review takes place. From a sample tested 2 assets were confirmed as being still in operational use. The client has confirmed that they will delete 3 of the assets as they are no longer in use.	Management should undertake a formal review of all fully depreciated assets to identify whether these continue to remain operational or not and derecognise those that are not.	We are currently reviewing the fully depreciated assets to identify whether the assets are still operational and will derecognize those that are not.	**Status – closed** Complete but will be tested with the audit work on the next set of accounts

The Audit Findings for Plymouth City Council Year ended 31 March 2021.

C. Follow up of prior year recommendations

Observation / background	Recommendation	Management response March 2024	Update / progress
Testing identified that not all manual journals requiring authorization had been authorised	Authorisation of all manual journals is still not in place. We have raised a recommendation for this issue in 2020-21		**Status – closed** Complete but will be tested with the audit work on the next set of accounts
Our work identified that the Council had not made an in year depreciation charge to the comprehensive income and expenditure account and balance sheet. The impact of this omission remains under investigation and relates to other land and buildings and the Council's share of the Tamar Bridge	We have again identified that management have not accurately accounted for depreciation in relation to assets revalued in year. Although in year depreciation charges are appropriate, we consider this issue still exists and have raised a further recommendation in 2020-21	The depreciation issue related to the valuation date and the way that TechForge calculates depreciation. We have reviewed all of the five year rolling programme and now all assets have the same valuation date of the 31 March so this is no longer an issue.	**Status – closed**
We identified that your senior officers had not completed a related party form or had submitted form which did not include all their related parties.	We have not identified any issues with senior officers.	CMT and SLT and also Team Plymouth was reminded of the requirement ahead of the March 2024 Financial year End. The Service Director for Finance is monitoring responses and will chase any misdeclarations or non-returns ahead of the publication of the draft Statement of Accounts on 31 May 2024.	Draft Accounts published 31 May 2024 with 100% returns from senior officers

Our testing identified 22 assets that did not appear to have been revalued within the five year rolling programme. All these assets had a nil value within the fixed asset register. Of these assets twenty related to assets that should have been deleted from the asset register and for the remaining two a nil value was appropriate.	We have identified that a large fully depreciated balance of assets still exists, and that management need to complete a formal review to identify which of these are still operational. We have raised a recommendation in 2020-21		**Status – closed** Complete but will be tested with the audit work on the next set of accounts
It was noted that no Terms of Engagement was issued by the Council's internal valuer. It is an industry requirement that such a document is produced by the valuer and agreed with the Council prior to commencing work		We will ensure that we receive formal terms of engagement in future as well as an overriding valuation report. Instructions were issues but it is noted that a formal Terms of Engagement was not agreed and saved on file. This will be done going forward and we will ensure we have an email agreeing the Terms of Engagement saved on file. An overriding valuation report was provided covering the formal valuation process. The new valuation templates provide sections where the approach should be explained. This will ensure there is a clear explanation for the method used.	**Status – closed** Recommendation noted

Interim Annual Auditor's Report on Plymouth City Council

Action Plan for 2022/23 recommendations

	Recommendation	Management response March 2024	Update / progress
Key 1	Given the increased level of financial stress the Council is facing members need to ensure that there is a robust response to financial matters with a more detailed revision of the Council's Medium Term Financial Strategy, early in 2024/25, to address how it will mitigate the risks against the financial stress indicators. Progress in delivering savings and transformation plans should be tracked by Cabinet each month and periodically reviewed by the relevant Scrutiny Committee for the service.	The requirement for a revised MTFS is acknowledged with a revised strategy updated to include the 2024/25 Budget is scheduled for Cabinet and then Council approval in June 2024. The Council will continue to ensure, as is the current practice, that all Scrutiny Committees are informed of their directorates' progress against savings as well as the overall monitoring position.	An updated MTFF will be presented to Cabinet in July 2024. The report will set out the current assumptions and resultant financial pressures. A revised MTFS will be presented to Full Council to approve in November and presented to Scrutiny in December 2024. Thereafter, the MTFS will be updated and presented with the annual Budget at the February meetings.
Key 2	In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement in Children's Services to be addressed by the Council and its partners. The Children's Improvement Plan needs to be costed with timeframes, so the Council is clear of the investment required in Children's Services to meet the quality standards required by the Secretary of State to remove the Statutory Improvement Notice. The transformational issues need to be planned and resourced in detail and reflected in the Council's revised MTFS 2024/25 to 2028/29.	Agreed – the 2024/25 Budget includes additional investment in Children's Services. There is a monthly Children's Transition Board which reviews all data and measures outcomes. This will be clearly set out in the revised MTFS.	Progress will be addressed in the 2024 MTFS

Improvement 1	We suggest that savings plans are RAG (Red, Amber, Green) rated, as part of the reporting on the progress of achievement of savings so that officers and members are aware in monthly financial reports to Cabinet, of the high-risk schemes that are less likely to be delivered; and what alternative savings plans are in place to address any financial in-year deficits.	The current Cabinet reports show full analysis of the savings, clearly showing those which are delivered and on-track for delivery. The S151 Officer will review current reporting formats and amend where required to ensure full visibility.	Revised reporting will be introduced from Month 2 (May) 2024 as part of the 2024/25 reporting cycle
Improvement 2	The Council approved the four-year Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28 in September 2023. We suggest that future MTFSs are prepared at the same time as the annual budget and approved before the start of the next financial year and that the 2024/25 to 2028/29 MTFS is approved early in the 2024/25 financial year.	This is an ambition of the Council, and as stated above a revised MTFS will be presented to Full Council in June 2024. There is an ambition to align the reporting timelines for budget and MTFS.	An updated MTFF will be presented to Cabinet in July 2024. The report will set out the current assumptions and resultant financial pressures. A revised MTFS will be presented to Full Council to approve November 2024. Thereafter, the MTFS will be updated and presented with the annual Budget at the February meetings.
Improvement 3	As the Council is in the bottom quartile of "general fund and earmarked reserves as a percentage of net revenue expenditure" compared to other councils then it should aim for a higher working balance target than its current 5% to protect the long-term financial health and viability of the council.	This is a strategy set out in the September 2023 MTFS. We have to recognise that building reserves during the current financial situation is more challenging, but it remains an ambition. The revised MTFS will set out our plan.	The revised MTFS will set out our plans. The S151 officer has introduced a formal 1/4ly review of all reserves and provisions as part of the monitoring cycle.
Improvement 4	Integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs).	Agreed – Work is underway to ensure that Directorate business plans align to the Corporate Plan agreed in Q2 of 2023/24. This work will include risk, health and safety and business continuity. The work will be completed across Q4 2023/24 and Q1 2024/25.	The Corporate Management Team have completed a risk identification workshop in relation to the corporate plan priorities, cognisant of change of administrations in both Local and National government. Further workshops are planned in respects of operational risks and to confirm risk treatments.

			Corporate Priorities have been linked to each of the risks on the Strategic Risk Register, which will change in light of the above workshops. Operational Risk Register will be linked to corporate priorities as and when risks are added / updated.
Improvement 5	The quarterly High Risk Update Report to Corporate Management Team and the Audit & Governance Committee needs to record further management action to provide officers and members with assurance on how strategic risks scoring in excess of 20 are being managed, with specific SMART actions and timeframes to monitor the management of these risks. We suggest that this information is also recorded on the computerised risk management system.	Agreed – The new risk management system was launched in January 2024. There will likely be significant movement in risk as risk awareness and a positive approach to risk management is embedded within "Team Plymouth" (3rd tier managers). The work will be completed across Q4 2023/24 and Q1 2024/25.	Further updates were made to the Risk Register as presented to the Audit Committee in March 2024. It provided a view of risks against our stated risk appetite. Movement in risk since the last quarter and detailed mitigation for all risks. Response to risk is also scrutinised in our scrutiny committees, allowing for granular consideration of the issues.
Improvement 6	The Audit Committee should carry out a self-assessment of its effectiveness each year and report on the outcome at the end of the financial year.	Agreed – As a first step a self-assessment questionnaire will begin the process and will be circulated to members after the meeting on the 12 March 2024 if not before	The returns will be consolidated into an overarching response and included in the annual statement to Council.
Improvement 7	The scope of the review on “Governance of the Council’s Arms-length Companies” and the progress to date and timeframe for completion of the review is reported to the Audit and Governance Committee so that they may have the assurance that these	A full review is in progress and a report will be presented to Audit and Governance Committee early in the new financial year.	The Monitoring Officer will report to CMT June 2024, with a full report to Audit & Governance September 2024.

	companies are being effectively managed and the review reports in a timely manner.		
Improvement 8	The Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI's in its corporate performance framework, with a view to including an assessment of specific data sets within non-financial performance reports.	The Council uses a wide range of data sources in support of the Corporate Plan which also form the basis of statutory reporting. Management will consider this recommendation as part of its 2024/25 work programme.	A Data to Intelligence Programme Board has been set up and has met 3 times. An agreed action by the end of 2024/25 is to develop a Data strategy to include data quality, this will include the data used for corporate performance monitoring. To support this, assessment against the LGA tool Local Government Data Maturity Assessment Tool | Rate your organisation's data management skills (esd.org.uk) is being used across the Council to determine our current data maturity and therefore areas for improvement.

Interim Annual Auditor's Report on Plymouth City Council

Follow-up of prior year recommendations

	Recommendation	Management response March 2024	Update / progress

Key 1	Members should follow the advice of the Council's section 151 officer, and if recommended, allow for the increase of council tax within referendum limits for the 2023/24 financial year so that the Council may both reduce its funding gap	The Service Director Finance presented a budget report to Cabinet on 17 January 2023. This set out the latest financial position for 2023/24 and proposed the maximum Council Tax increase of 2.99% and ASC precept of 2%. At the Full Council meeting on 27 February 2023 the Council Tax increase - the maximum before a local referendum - was agreed. Within the Revenue and Capital Budget 2023/24 report, the S151 Officer's Budget Robustness Statement stated: The statement also included advice on the consequences of not maximising the increase. There is a clear commitment to increase the council's general fund balance as part of the MTFP refresh. It will need a longer-term strategy to move from the current £8.4m to hold a 5% balance against the 2023/24 resources of £218m being £10.9m.	**Status – closed** but under constant review Full Council approved the recommendation of the Service Director for Finance as presented in the 2024/25 Budget to maximise both Council Tax and the Adult Social Care Precept. The date of the meeting was moved from the scheduled 26 February 2024 to the revised Friday 8 March to allow the S151 Officer additional time to consult with DLUHC around the Capitalisation Direction request.
Key 2	The Council's Medium Term Financial Plan (MTFP) needs to be updated, as a priority, for the mid-year 2022 Cabinet and Council' meetings so that it reflects the latest inflationary and energy price increases. The MTFP needs to be robustly triangulated with savings, capital, treasury, workforce and operational business planning for 23/24.	A further update was presented to Cabinet on 17 January, and this will be presented to Scrutiny for discussion and debate in January. A recommendation from Scrutiny is: a) that a three year Medium Term Financial Plan Is prepared and considered at Full Council in September. This reflects similar recommendations made through the LGA corporate peer challenge and external auditors report. In response, the Section 151 Officer agreed to undertake a review of the MTFS and will submit for consideration to Council in September 2023. The budget for 2023/24 has taken account of the latest inflationary and energy price increases and includes additional budget allocations for key	**Status – closed** A three-year Medium Term Financial Plan was considered at Full Council in September 2023. The budget for 2023/24 took into account the inflationary and energy price increases and included additional budget allocations for key areas such as social care [both adults and children) and the Place Directorate. Full Council has now approved the Capital and Revenue Budget 2024/25.

		areas such as social care [both adults and children) and the Place Directorate. The Budget Report includes Section 1 - Helping Plymouth Build Back Better which sets out the four key priorities. There is also a Directorate Summary section setting out the costs and services for the delivery of over 300 vital services. The S151 Officer is proposing the development of a 5 year MTFP.	The S151 Officer will present an updated Medium-Term Financial Forecast (MTFF) for approval by Cabinet in July 2024. A five-year MTFP will be presented to Full Council in 2024 and will form the basis of the 2025/26 and 2026/27 Budgets for approval in February 2025.
Key 3	The Council needs to employ an interim senior finance officer to start immediately, to support the newly promoted Section 151Officer, so the Finance Department has adequate capacity and knowledge required to help manage the significant financial challenges and associated workload during 22/23.	The interim was appointed and has been supporting the Council's in year and future years budget planning.	**Status – closed** The interim left PCC in May 2023. In the period to May 2024, we have advertised for a permanent S151 Officer on more than one occasion, with little success. As of June 2024, we will be approaching the market via a different agency and looking to appoint an interim for at least until a permanent appointment is made or the end of March 2025. In the meantime, a senior member of the finance team is acting in the role of Head of Finance, supported by another Lead Accountancy Manager.
4	The Council needs to identify new recurrent savings each year to sustainably close its significant funding gap rather than rely on annual vacancy rates. Difficult service decisions will need to be made to identify sufficient significant potential savings for members to choose from.	The full list of savings proposals was published in the budget report for Cabinet on 17 January 2023 and approved by Full Council in February 2023. The size of the shortfall between anticipated resources and financial commitments for the coming year has been considerable, and a disciplined approach to	**On-going** The Council is working to identify new recurrent savings for 2025/26 and 2027.28 to sustainably close the funding gap and move away from its reliance on annual vacancy savings and one-off savings

		achieving a balanced budget whilst maintaining delivery against the Council's agreed priorities has been necessary. Setting the budget does not mean the work is over as financial pressures will continue to provide a challenge and we will need to deliver our savings plans that are being put in place. The Council will need to continue to transform how it operates to reduce costs. As part of the budget setting, it has been a major consideration to implement sustainable and recurring savings, reducing the reliance on one-off opportunities. There will always been a requirement to find one-off savings however the ratio of such savings as part of the £23m is at an acceptable level. A plan to further reduce reliance will form a key strand of the new MTFP.	This will include proposing difficult service decisions to identify sufficient significant potential savings for members to choose from. The S151 officer and Chief Executive are undertaking, during early June, a series of deep dives into each directorate budget to understand their savings and plans to mitigate any increased cost pressures. CMT will be commencing the MTFP and budget process discussions at the meeting 11 June 2024. Cabinet will also be involved in all decisions. There is a CMT / Cabinet facilitated awayday scheduled for July 2024 post the General Election.
5	The Council's annual financial budget needs to be clearly aligned to activity plans, to ensure there is consistency and triangulation between all elements of the organization. Service budgets and financial forecasts should be aligned with the Council's outcomes.	The approach to balance the budget has been informed by a clear focus on agreed priorities, the delivery of measures to increase efficiency, maximising income opportunities where appropriate and changing our systems, processes and structures to improve the way we deliver services.	**Noted** **Status – closed** This can be seen in the approach to Children's Services in the 2024/25 Budget and the directorate's three-year plan.
6	The Council's Strategic Risk Register needs to record significant financial risks at a more granular level, over the short and medium term. The mitigating actions to manage these risks need to be recorded in the Action	An updated risk register was submitted to the Audit and Governance Committee on 16 January 23. Risk Number one in table one relates to the Council's expenditure exceeds the resources available to meet that	**Status – closed** Further updates were made to the Risk Register as presented to the Audit Committee in March 2024.

	Plan/ Future Mitigation column of the Risk Register which currently replicates the controls in place, so that officers and Members are clear how the council may put itself in a sustainable financial footing, reduce its financial pressures and achieve its strategic outcomes.	expenditure within the medium-term financial plan period, and Risk number two relates to possible failure to meet statutory duties due to growing volume and complexity of demand for children's social care services. The mitigations are set out in detail.	It provided a view of risks against our stated risk appetite. Movement in risk since the last quarter and detailed mitigation for all risks.
7	The Council's levels of reserves, at some £8 million, is insufficient to maintain financial sustainability as the Council continues to face increasing financial pressures, due to ever-increasing inflation, expected pay increases and escalating fuel and energy costs. The Council needs to revisit its Reserves Strategy and build up its reserves at a rate of greater than £350,000 a year from 23/24.	The S151 Officer has had a follow up discussion on this issue with the external auditors. The updated MTFP will be made available to Full Council in September 2023 and will include a clear strategy and ongoing commitment to increasing the Working Balance.	**Noted** **Status – closed** A strategy will be set out in the revised 2024 MTFP. We have to recognise that building reserves during the current financial situation is more challenging, but it remains a priority and our ambition.
8	We recommend that the Strategic Risk Register informs the annual overview & scrutiny work programmes so that risk management is properly embedded in members' decision making.	The recommendation is noted. As previously stated, we are undertaking a review of our scrutiny arrangements, and this will form part of the discussion.	**Status – closed** Response to risk is also scrutinised in our scrutiny committees, allowing for granular consideration of the issues.
9	Given the financial challenges faced by the Council we recommend that a more granular level of information by cost centre is included in the monthly finance monitoring reports so senior officers and members may see the level of variances at an activity level which will better inform their decision making around services.	The S151 Officer has been reviewing the financial monitoring reports of other unitary authorities. It is considered that the current level of transparency within the monthly finance monitoring report meets the requirements of Cabinet and Scrutiny, with the quarterly reports being noted at Full Council. The Management Scrutiny Board have requested changes to the report format, particularly given the unprecedented pressures of the financial Year 2022/23. The S151 Officer is open to discussions with the	**Status – closed** Revised monitoring reports are under development for Quarter 1 2024/25 but are unlikely to increase the level of granularity, for the reasons set out previously.

		Administration when known in May on any further improvements or additional information. It should be noted that the reporting process is more than just the public facing reports which are published.	
10	The Audit Committee should carry out a self-assessment of its effectiveness each year and report on the outcome at the end of the financial year.	Agreed – As a first step a self-assessment questionnaire will begin the process and will be circulated to members after the meeting on the 12 March 2024 if not before.	**Status – closed** The Committee have been asked to complete and the returns will be consolidated into an overarching response and included in the annual statement to Council in 2024.
11	The Council should develop a data quality strategy setting out the Council's approach to improving the quality of data required to support good decision making, including an independent assessment and assurance around data quality.	As part of the Finance restructure which went live t December 2022, a new post was created for a Service Accountant within the Corporate Accountancy team. This role will provide the link between finance and the systems team to ensure data accuracy and provide resource for system updates and changes. There is a CMT lead on data quality - following this recommendation the S151 Officer will ensure dialogue at CMT. For example the idea of strengthening the use of data and evidence in decision making is a part of the health determinant research collaboration, where PCC has been awarded grant funding to progress. We do have a strong governance in place around, for example, the level of detail within financial information provided to Cabinet, and therefore published to the public, as well as full transparency for all scrutiny committees and Full Council	**Status – closed** A Data to Intelligence Programme Board has been set up and has met 3 times. An agreed action by the end of 2024/25 is to develop a Data strategy to include data quality, this will include the data used for corporate performance monitoring. To support this, assessment against the LGA tool Local Government Data Maturity Assessment Tool | Rate your organisation's data management skills (esd.org.uk) is being used across the Council to determine our current data
12	The Council should consider how it can use independent formal benchmarking in its reporting to the Cabinet to (1) explore any	As part of the annual budget setting process, senior officers work with finance to establish the cost base of the major areas of	**Noted** **Status – closed**

	high unit costs, and potential savings, within its services and (2) provide assurance that it is delivering cost effective services in other areas.	expenditure - adult and children's social care, waste collection as examples. Work undertaken includes cost and volume analysis. Independent benchmarking will be considered as an input to the MTFP under revision.	The Council has reviewed its benchmarking tools and the S151 Officer will incorporate data into the 2025/26 Budget discussions.
13	The Council should define its significant partnerships and develop a register that identifies the contribution that the partnerships makes to the City's corporate objectives. Defining its significant partnerships and better understanding their contribution to the Council's objectives will enable the Council to evaluate and assess their level of contribution.		**Status – closed** The Policy Team jointly hold a list of both the strategic and operational Partnership Boards with the Plymouth Plan Delivery Team. These Partnerships work to direct and monitor the delivery of the Plymouth Plan, aligning to the policy direction set out within. There is a strong link between the strategic Partnership Boards and the policy elements of the Plan, and each Board is responsible for the development and implementation of the relevant strategic delivery plans and associated operational action plans. These delivery plans, alongside the Terms of Reference for the Boards, provide strong evidence for the contribution they make in delivering the city's vision and corporate objectives. The list is updated annually and throughout 2024 each Board will be doing a stocktake to ensure the alignment between the Plymouth Plan and their delivery plan is being maintained.

14	The Council should produce a procurement strategy, as part of a review of its procurement arrangements, to ensure that the Council's policies, procedures and practices up to date in terms of a better analysis of spend, budget and risk.	PCC do not have a procurement strategy, however Procurement will be refreshing the Council's Contract Standing Orders as part of the wider constitutional review being undertaken by the Monitoring Officer. This refresh will look to make improvements across all aspects of Procurement including rules, policies and procedures. Work is currently underway.	**Status – closed** A Procurement Strategy will be presented to Audit & Governance July 2024. A new version of Contract Standing Orders has been drafted; it will be discussed and agreed at Audit and Governance committee July. In addition to this CSO refresh a further refresh will take place later in the calendar year to incorporate the updates required in light of the new Procurement Act 2023. The new rules place significant importance on robust contracting which will require the Council to focus more on spend and risk analysis.

Appendix 1

The CIPFA Financial Management Code

CIPFA's Financial Management Code – Self Assessment.

Good financial management is an essential element of good governance and longer-term service planning, which are critical in ensuring that local service provision is sustainable. In October 2019 CIPFA published its Financial Management Code (FM Code) which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It essentially sets the expected standards of financial management for local authorities. It is based on a series of principles which are supported by specific standards which are considered necessary to provide the strong foundation to:

- Financially manage the short, medium, and long-term finances of a local authority.
- Manage financial resilience to meet unforeseen demands on services.
- Manage unexpected shocks in their financial circumstances.
- 17 minimum standards (A-N) that came into effect from 1 April 2020 with the first full year of compliance being the 2021/22 financial year.
- Each financial year the Council plans to undertake a self-assessment against each of the 17 standards contained within the FM Code.
- An evidenced based officer self-assessment was undertaken in March 2023 by the Section 151 Officer. Our RAG rated approach of the 17 standards resulted in 10 components (Rated Green) assessed as fully compliant, and 7 components (Rated Amber) assessed as complying with minimum standards but requiring some improvement to demonstrate full compliance and 0 components (Rated Red) assessed as not compliant.

A summary report on this self-assessment was taken for consideration and approval to our Audit Committee on 20 March 2023.

The underlying principles of the Code:-

- Organisational **leadership** - demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture

- **Accountability** - based on medium term financial planning which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs

- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making

- Adherence to professional **Standards** is promoted by the leadership team and is evidenced.

- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management and includes political scrutiny and the results of both external audit, internal audit and inspection.

- **The long term** of local services is at the heart of all financial management process and is evidenced by prudent use of public resources

Self-Assessment - Plymouth City Council undertaken May 2024

Total Score: 132 /170 (78%)

Risk Rating Scoring

Red 1-3	Amber 4-7	Green 8-10

Leadership	Accountability	Transparency	Standards	Assurance	Sustainability
A – The leadership team demonstrates that the services provided by the authority provide value for money. **SCORE: 7**	D – The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) **SCORE 8**	L: The authority has engaged with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget. **SCORE: 7**	H – The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities **SCORE: 9**	C – The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control. **SCORE: 8**	E – The Financial Management Style of the authority supports financial sustainability **SCORE: 8**
B – The authority complies with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government **SCORE: 8**	P – The Chief Financial Officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the UK **SCORE: 9**	M: The authority uses a documented option appraisal methodology to demonstrate the VFM of its decisions. **SCORE: 6**	J – The authority complies with its statutory obligations in respect of the budget setting process **SCORE: 10**	F – The authority has carried out a credible and transparent Financial Resilience Assessment **SCORE: 7**	G – The authority has a Long-Term Financial Strategy for financial sustainability **SCORE: 7**
O – The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability **SCORE: 7**	Q – The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions. **SCORE: 8**		K – The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves. **SCORE: 9**	N - The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability **SCORE: 8**	I – The authority has a rolling multi-year Medium Term Financial Plan consistent with sustainable service plans **SCORE: 6**

Action Plan

The self-assessment score for the leadership team demonstrates that the services provided by the authority provide value for money (VFM) is currently 7. This is a difficult measure, and the authority's leadership team needs also to be able to demonstrate that value for money is being sought and delivered. The most straightforward way to demonstrate the authority's commitment to achieving value for money is to undertake:

- an overview of the authority's governance arrangements and examples of how decisions are scrutinised
- details of efficiency or service reviews undertaken, together with their findings and any subsequent improvement action taken
- details of economy and/or efficiency savings achieved, together with how they have been achieved and the impact on the relevant services
- the results of user surveys and/or engagement with service users or voluntary sector organisations.
- The authority could also draw on the judgements of others as to whether its activities represent value for money, such as its internal and external auditors.

The following actions are being implemented to address the areas of the self-assessment requiring improvement

	CIPFA Financial Management Standards				
	Section 1 The Responsibilities of the Chief Finance Officer and Leadership Team	**Score**	**Notes:**	**Target Score**	**Officer / when**
A - Leadership	***The leadership team demonstrates that the services provided by the authority provide value for money***. **Key questions** Does the authority have a clear and consistent understanding of what value for money means to it and to its leadership team? Does the authority have suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services?	7	All published reports to Committee have mandatory sections where the financial implications for all decisions must be set out. This includes a section on implications for the MTFP and a section on financial risks. Reports will be signed off by at least one CMT member and reports will be presented to CMT when considered appropriate to ensure VFM is achieved. CMT is the Corporate Management Team.	8	S151 Officer (CMT) for December update

	Is the authority able to demonstrate the action that it has taken to promote value for money and what it has achieved?		**Updated (May 2024)** 1. The Productivity Plan required to be published on the PCC web pages and shared with DLUHC in July 2024 will provide an opportunity to set out the narrative. 2. Our external auditors GT are scheduled to provide the Audit & Governance Committee with a VFM commentary and conclusion in their September 2024 Audit Report. 3. The development of a revised 5-year Medium Term Financial Plan 2024/25 to 2028/29 for publication in September 2024 will address several areas including an understanding of financial risks; create a culture of openness; promote a collaborative, problem-solving approach and help maintain transparent and accountable arrangements for effective scrutiny and oversight. 4. Publish a Procurement Strategy June 2024		

	Section 3 Long to Medium Term Financial Management	Score	Notes:	Target Score	Officer / when
F – Assurance	***The authority has carried out a credible and transparent Financial Resilience Assessment*** **Key questions** Has the authority undertaken a financial resilience assessment? Has the assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios? Has the authority taken appropriate action to address any risks identified as part of the assessment?	7	The risks of financial resilience is included as a key risk in the Strategic Risk Register and is continually monitored. The annual budget report sets out a statement by the CFO on the robustness of the estimates and reserves. Reserves are monitored and a Strategy of increasing the Working Balance will be presented to Council in September. **<u>Updated (May 2024)</u>** Budget principles underpin the council's budget decisions and seek to limit impact of budget cuts on the most vulnerable. Continuing regular budget monitoring with budgets assigned to managers, and directors held accountable for reporting and actioning significant variances. Revised Capital and Revenue Budget monitoring reported to Cabinet. The council's reserves are in the bottom quartile compared to other unitary authorities but there will be a strategy set out in the revised MTFP	8	S151 Officer (CMT) for September update

	Section 3 Long to Medium Term Financial Management	Score	Notes:	Target Score	Officer / when
G – Sustainability	***The authority has a Long-Term Financial Strategy for financial sustainability.*** **Key questions** Does the authority have a sufficiently robust understanding of the risks to its financial sustainability? Does the authority have a strategic plan and long-term financial strategy that adequately address these risks? Has the authority sought to understand the impact on its future financial sustainability of the strategic, operational and financial challenges that it might face (eg using a technique such as scenario planning)? Has the authority reported effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks, and the impact of these for short and medium-term decision making?	7	The Council has a rolling five-year MTFP and five-year capital plan. An updated MTFP was presented to Council in September 2023. The sensitivity of future risks is known and understood with particular emphasis on the long-term impact of the final accounting treatment of the pension transaction in 2019/20 and the impact on any necessary restatement of the accounts for 2019/20 on the accounts for 2020/21 to 2023/24. The preparation of the 2024/25 Budget has emphasized the over-reliance on one-off savings and the need for sustainable savings; difficult decisions must be made. **<u>Updated (May 2024)</u>** 1. Revised MTFP being developed for September 2024 Council 2. The process will include scenario planning and options and identification of efficiency savings to enable sustainable finances whilst assessing and incorporating service demand commitments into long term planning	9	S151 Officer (CMT) for September update S151 Officer for July A+G update

			3. Finance is working with GT to address the accounting changes required to allow the 2019/20 to 2023/24 Statement of Accounts to be signed off with unqualified opinions. 4. The Working Balance is under further review		

I Sustainability	***The authority has a rolling multi-year Medium Term Financial Plan consistent with sustainable service plans.*** **Key questions** Does the authority have in place an agreed medium-term financial plan? Is the medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy? Has the medium-term financial plan been prepared on the basis of a robust assessment of relevant drivers of cost and demand? Has the medium-term financial plan been tested for resilience against realistic potential variations in key drivers of cost and demand? Does the authority have in place a suitable asset management plan that seeks to ensure that its property, plant and equipment including infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority's strategic aims?	6	The Council has a rolling five-year MTFP and five-year capital plan. An updated MTFP was presented to Council in September 2023. Cost drivers and know future demands are reflected within the MTFP. There is an annual service planning process and Business Plans are produced in line with the budget. An Asset Management Plan was published in January 2019. The Strategic Asset Management Framework details the principles by which all of the Council's assets should be managed. It sets out the environment in which the Council is currently operating and provides details of how all of the Council's assets will be managed. This plan will provide the details for how assets within Land and Property will be managed. It is a 5 year plan. Extensive work was undertaken in 2022/23 to identify all estate properties, their condition and sets out a plan for future use or disposal.	8	S151 Officer (CMT) for September update

			Updated (May 2024) 1. Revised MTFP being developed for September 2024 Council. 2. Review of all estate's properties and an action plan to be developed July/August 2024. 3. Robust five-year MTFS being developed for approval at Full Council September 2024 to include financial risks, scenario planning, options and identification of efficiency savings to enable sustainable finances whilst assessing and incorporating service demand commitments into long term planning. 4. A revised Capital Governance to be implemented in July 2024, including a newly formed Capital Programme Officers Group and member engagement in the approval of capital schemes. 5. Mechanisms to ensure the medium-term financial plan has been tested for resilience against realistic potential variations in key drivers of cost and demand – a sensitivity analysis.		

	Section 5 Stakeholder Engagement and Business Plans	Score	Notes:		
L - Transparency	The authority has engaged with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget. **Key questions** How has the authority sought to engage with key stakeholders in developing its long-term financial strategy, its medium-term financial plan and its annual budget? How effective has this engagement been? What action does the authority plan to take to improve its engagement with key stakeholders?	6	The annual budget will continue to be open to extensive consultation with residents and staff. Residents need to be able to express their opinions via the council website and there will be morel Q&A sessions for all council staff. The budget proposals will again be subjected to vigorous oversight by the Select Budget Overview Committee (planned for December 2024)	8	S151 Officer (CMT) for 2025/26 and 2026/27 Budget approval at Full Council February 2025.

M – **Transparency**	***The authority uses a documented option appraisal methodology to demonstrate the VFM of its decisions.*** **Key questions** Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal? Does the authority offer guidance to officers as to when an option appraisal should be undertaken? Does the authority's approach to option appraisal include appropriate techniques for the qualitative and quantitative assessment of options? Does the authority's approach to option appraisal include suitable mechanisms to address risk and uncertainty? Does the authority report the results of option appraisals in a clear, robust, and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s)?	6	All major decisions are supported by a business case and a financial appraisal. There is a business case template that must be completed for capital projects which have several mandatory sections. These business cases must be signed off by the CFO. A revised Capital Handbook to be completed by the end of June 2024, setting out the procedures and requirements for all capital investment. Continued Peer reviews Introduction of benchmarking for council services, to be incorporated into the budget discussions. Option appraisal through evaluation criteria and multi criteria analysis/risk assessment. External review of property Regeneration Fund to assess long term investments and returns. External review of long term financial investments e.g. CCLA Revised capital programme reporting and incorporation of RAG ratings to revenue risks and savings proposals.	8	S151 Officer July 2024

	Section 6 Monitoring Financial Performance	Score	Notes:		
O – Leadership	***The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.*** **Key questions** Has the authority identified the elements of its balance sheet that are most critical to its financial sustainability? Has the authority put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet? Is the authority taking action to mitigate any risks identified? Does the authority report unplanned use of its reserves to the leadership team in a timely manner? Is the monitoring of balance sheet risks integrated into the authority's management accounts reporting processes?	7	Key parts of the balance sheet that impact on the council's operations. are reviewed regularly such as treasury management – which is included within the reports to CMT and Members. Treasury Management reports 6 monthly to the Audit & Governance Committee and there is a separate outturn report for Treasury which includes the Prudential Indictors. Reserves are reviewed on an annual basis and link to the budget and MTFP. Consideration needs to be given to a wider update on all aspects of the balance sheet. Greater challenge of the highest and best use of the council non-current assets. A further review will be required once the pension issue has been resolved. Improved transparency will be incorporated into the 1/4ly reporting cycle. S151 Officer has put in place internal finance reviews and updates, assigning key finance officers to each balance sheet line.	8	S151 Officer Qtr 2 reports

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Grant Thornton

The Audit Findings for Plymouth City Council

Year ended 31 March 2021



Contents

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

Paul Dossett

Name: Paul Dossett
For Grant Thornton UK LLP
Date: 23 July 2024

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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Plymouth City Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed remotely during 2023 and 2024. Our findings are summarised on pages 6 to 24. We have not identified any adjustments to the financial statements that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix E. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix C. Our follow up of recommendations from the prior year's audit are detailed in Appendix D.

Our work is substantially complete and, subject to the satisfactory conclusion of the pension transaction issue, there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- ~~Clearance of outstanding queries for grant income, cash, cash flow statement, Movement in reserves and heritage assets.~~
- ~~Resolution of the pension transaction issue~~
- receipt of management representation letter; and
- review of the final set of financial statements including confirmation of all adjustments

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified with an emphasis of matter in regards to the pension transaction . We have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. A further explanation of the significant weakness(es) we have identified in the Council's arrangements is detailed on page 22 of this report.

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1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3).
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.
Significant matters	We have identified a number of significant issues through the course of audit which have been included within this report. We recognise that during the financial year for which these accounts were produced there was a global pandemic and that management were operating in a challenging financial environment and as such are required to provide and report an appropriate budget which fully reflects the financial challenge facing the Council prior to the start of the of the financial year on 1 April. This requires resources being made available and these resources are also those on which we rely for assisting with the audit process through the provision of working papers and responding to queries raised. We have worked with management to resolve these resource conflicts and held regular meetings to expedite the process and conclude the audit. Given the current resource issues with the audit market and the challenges facing the management team we have experienced a significant delay in completing this audit.

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1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us constructively to resolve any issues and allow us to complete and deliver the 2020-21 audit. We have continued to hold discussions with management over the ongoing issues and have agreed a position in line with the backstop requirements for the 2021-22 and 2022-23 audits.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. We have not identified any significant issues with the Council's levels of borrowing and these have remained relatively consistent from the prior year to 2020-21. However, we are aware of the continuing challenges and will remain in discussion with management over levels of borrowing and any negative impact this would have on the financial sustainability of the Council.

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2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit & Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- An evaluation of the component/s of the group based on a measure of materiality considering each as a percentage of the Council's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that no further work was required; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit & Governance Committee meeting on 23 July 2024, subject to the outstanding items list on page 3 being resolved.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted on page 23 of our audit plan presented to the Audit & Governance Committee on 29 November 2021, during the course of the audit both your finance team and our audit team faced audit challenges again this year, such as remote accessing financial systems, video calling, and verifying the completeness and accuracy of information provided remotely produced by the entity. This resulted in us having to carry out additional audit procedures to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

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2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised materiality from that reported in the Audit plan due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

We set out in this table our determination of materiality for Plymouth City Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	8,200,000	Materiality has been based on 1.33% which is reduced from 1.5% to reflect the inherent complexity in the Council
Performance materiality	5,340,000	Performance materiality has been set at 65%, below the upper limit of 75%, to recognise the history of significant deficiencies in the control environment, the number of misstatements identified in previous audits and the change in Director of Finance
Trivial matters	400,000	Set at 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties



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2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA240 there is a non-rebuttable presumed risk of management override of controls in all local authorities. The Council faces external scrutiny of its spending and this could potentially place management under pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which is one of the most significant assessed risks of material misstatement in audited bodies.	We have: • evaluated the design effectiveness of management controls over journals, including undertaking a walkthrough of the process and controls. No issues were identified from completion of this • obtained a full download of the general ledger alongside the trial balance and uploaded these onto our data analysis software, Inflo. • Inflo undertakes a number of checks on the data such as unbalanced transactions, unbalanced user IDs and transactions with blank account descriptions. Where any differences were noted by Inflo, we followed these up with the Council and obtained sufficient explanations and corroborations for these. • we have reviewed the manual journals within inflo to identify those deemed to be high risk to be selected for testing. We selected and shared the sample of journals with the Council for them to provide us with evidence to support the entries and will complete our testing upon receipt of the supporting documentation. • We have reviewed and considered significant estimates that are subject to management bias to understand assumptions made and whether these are reasonable. The findings from this work are included in pages 12 to 15. Our testing of journals identified the following issues: • There is no formal approval process for posting journals below £500k. Therefore, the finance team members, who have access to post journals, are effectively self approving. This presents a risk that inappropriate journals could be posted and authorised by one individual • There is an in-built system deficiency that is not able to segregate the posting and authorising function for journals over the Council authorisation limit of £500k. Our testing identified one journal over the £500k limit which was not included within the Council's monitoring report. Whilst testing confirmed that the journal was created and authorised by separate individuals there is a risk that a journal, over the Council's limit, could be posted and authorised by the same person and not be identified through the monitoring report. No further issues have been identified in our testing of journals.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Revenue cycle includes fraudulent transactions Under ISA 240 there is a rebuttable presumed risk that revenue may be misstated due to improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud or revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted in most income streams because: • There is little incentive to manipulate revenue recognition • Opportunities to manipulate revenue recognition are limited • The culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable However, as a result of the large increase in grants that passed through the council due to COVID-19 and the errors found in issues identified in previous years' audits, we have tested the accounting treatment for Government Grants, COVID-19 grants both as a principal and agent, capital grants and grants received in advance under this risk. **We identified 3 disclosure errors in the covid grants disclosure. We also identified one error in the note in relation to the Local Restriction Grant which has been treated on an agency basis in the accounts but should have been principle. The amount of the error is £417,827 which should have been grant income and £662,109 which should have been a grant received in advance. This is not adjusted on the grounds of materiality.**
Fraud in expenditure recognition As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Council may manipulate expenditure to meet externally set targets and we have regard to this when planning and performing our audit procedures. Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.	We have: • inspected transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period; • inspected a sample of accruals made at year end for expenditure not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year-end; compare size and nature of accruals at year-end to the prior year to help ensure completeness; and • investigated manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure. Our testing identified one transaction that was incurred in 2020-21 and was not paid until 2021-22. We challenged management to demonstrate that this was accrued for and further investigation identified that this was not posted until 2021-22 and was incorrectly included in the 2020-21 financial statements. We have extrapolated on the error and have identified that there is a potential error value of £231k which is below trivial and therefore we are satisfied that accruals are not materially misstated.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings including Investment Properties The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, and Investment Properties particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement. **Energy from Waste Plant** The Council also part own the Energy from Waste Plant which should be valued on an annual basis and the valuation of this asset is undertaken by a third party valuer. **Tamar Bridge** The Council own 50% of the Tamar Bridge and 50% of the asset value is held on the Council's Balance Sheet as Infrastructure – valued at Depreciated Cost. **Investment Properties** The Council hold a large portfolio of investment properties which are valued each year in accordance with the CIPFA Code.	We have: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work for both the internal and external valuers. • Evaluated the competence, capabilities and objectivity of the valuation experts used by the Council across all categories of assets • Written to the valuers to confirm the basis on which the valuations have been carried out. • Reviewed the data and assumptions made regarding the year end valuation of the Councils Investment property portfolio • Employed our own specialist internal valuer to review the assumptions made by management regarding the valuation of the Tamar Bridge • Employed our own external valuer - Wilks Head and Eve, to review the instructions issued by management to valuers and the assumptions made by valuers for the valuation of Property, Plant and Equipment and the Council's portfolio of Investment Properties. • Challenged the information and assumptions used by the valuers to assess completeness and consistency with our own understanding • Tested revaluations made during the year to see if they had been input correctly into the Authority's asset register • Tested the year end closing balance for property, plant and equipment • Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. • Evaluated the assumptions made for the valuation of investment properties, including data used and yield assumptions. • Evaluated of the impact of COVID-19 on valuations – particularly investment properties held by the Council. Our work has identified the following issues: • There is a variance of £1,846k between the revaluation disclosure and the value per the valuer's report • We identified that cumulative depreciation on revalued assets had not been written out in line with the requirements of the Code. This resulted in depreciation being overstated by £441k. • A review by our auditor's expert identified that no formal terms of engagement document was issued for either internal or external valuers which does not comply with RICS requirements. However, they have concluded that there is no indication that valuation process is not in line with the relevant guidance. • The review by our auditor's expert also identified that no formal overriding valuation report has been provided covering the formal valuation process. Further where no evidence exists to support the Existing Use Value (EUV), the Depreciated Replacement Cost (DRC) process has been used but no specific commentary in relation to this approach has been provided. Again, the auditor's expert has concluded that there is no evidence that this issue has impacted the valuation process and that it has not been completed in line with RICS requirements. • We tested a sample of 30 assets to ensure that assumptions used were reasonable and could be agreed to supporting documentation. This testing identified that 6 assets used floor areas that were not supported by detailed plans, 2 assets that included calculation errors and five further assets with trivial errors. The total of these variances is £82k, which is trivial but is a net movement of £1.39m understatements and £1.47m in overstatements.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings including Investment Properties (cont.)	Issue identified (cont.) • We have reviewed the obsolescence factors and considered the appropriateness of the rates applied. For 3 assets we were unable to assess the obsolescence rate used and our comparison with the VOAs curve did not agree to any rates identified. As a result we are unable to conclude as to whether the rate used is appropriate. The total value of the three assets is £1.342m which is not material. Testing of investment properties identified the following issues: • Testing identified a number of assets where valuation movements from the revaluation process had been applied to the incorrect asset. The errors were not material but the issue is considered to be a control deficiency that could have a greater impact on the financial statements • We identified a number of assets where agreement to floorplans identified variances or management were unable to provide primary documentation. Two assets were tested where floorplans could not be provided. We were able to gain assurance from other documentation to confirm the floor area used in the calculation. Two assets identified variances between the floor area used for the calculation and the floor area shown in the documentation provided. The total of these variances is £236k and again is not material. Testing of heritage assets identified the following issues: • We have agreed the value of heritage assets to insurance values and to the other supporting documentation. This process identified that the value of items under £100k is maintained within a live separate system which means that only the value as at the date of enquiry can be obtained. We have undertaken alternative procedures to gain assurance and have raised a recommendation in regards to maintaining documentation to support the disclosures within the statement of accounts. • Through testing and challenge of management it was identified that the Council has a special books collection of £3.5m that had not been disclosed within the relevant note. Whilst the value within the balance sheet is not materially misstated management should ensure that all relevant balances are disclosed.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of net pension fund liability The authority's pension fund net liability as reflected in the balance sheet as the net defined liability represents a significant estimate. The pension fund net liability is significant due to the size of the numbers involved (£588,890k in the draft financial statements) and the sensitivity of the estimate to changes in the key assumptions. We therefore identified valuation of the authority's pension fund net liability as a significant risk, which is one of the most significant assessed risks of material misstatement.	We have: • Updated our understanding of processes and controls put in place by management and evaluate the design of the associated controls • Evaluated the instructions issued by management to their management expert (the actuary) for the estimate and the scope of their work • Assessed the competence, capabilities and objectivity of the actuary • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • Obtained assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements Our work has not identified any issues in relation to this area in 2020-21. It should be noted that the Pension Fund prepayment transaction has been discussed with management and it has been agreed that it is not appropriate to capitalise this transaction. This has resulted in a £73.375m adjustment to the 2019-20 accounts which has resulted in a deficit general fund balance position which is reflected in the brought forward and closing position for 2020-21
Financial Instruments Accounting standards and the CIPFA code require detailed disclosure notes to be published in the accounts regarding financial instruments held by the council. These financial instruments can be in the form of loans and borrowings as well as assets and investments. Arriving at fair value of financial instruments is complex and requires specialist support as a part of the valuation process. In 2020/21 the council undertook an interest rate swap in the treatment of financial instruments, meaning the financial instruments were misstated in the prior year. This was an incorrect action and raised questions regarding the governance of the council. The interest rate swap was a poor decision and indicative of poor accounting practice in the treasury department and poor governance generally in this aspect of the accounts.	We have: • Reviewed the Council's processes implemented to establish the correct valuations of all financial instruments held • Tested disclosures back to figures within the main financial statements • Tested the disclosures in accordance with the CIPFA Code and accounting and auditing guidance • Reviewed the work of the council's experts in this area. • Our work on the Council's hedge fund transaction has focussed upon the related financial instrument transactions and disclosures necessary for this type of financial transaction. • Consulted with internal experts to understand whether the interest rate swap has been appropriately classified in line with statutory guidelines. • Consulted with internal experts to ensure that the change in fair value, to be disclosed in the CIES within surplus or deficit on provision of service is not materially misstated. From our testing we have reviewed the £75m "pay fixed receivable variable" hedge transaction, held with Santander, is a hedge transaction and not the interest rate swap disclosed in the statement of accounts. This is a legal transaction and should be included as a financial instrument. As we have concluded that this is a financial instrument it should be accounted for at fair value through profit and loss and reclassified as an interest rate swap.

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2. Financial Statements - Observations in respect of other risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	

Hedge Fund Accounting
The Council purchased an interest swap instrument in April 2020 with a value of £75m and have recognised the gain in Other Comprehensive Income and Expenditure. It is the auditor's view that this should have been recognised as Fair Value through Profit and loss and within surplus and deficit on the provision of services.
	On review of the gain on hedge transactions we have identified the following:
	• Management entered into an interest rate swap in 2020-21 starting from April 2020 and recognised the gain on fair value through the Other Comprehensive Income and Expenditure. We have considered this treatment in line with the requirements of IFRS 9 (Financial Instruments) to ensure compliance and the effectiveness calculations for compliance and accuracy. This review was undertaken by Auditor's experts and concluded that that the documentation did not meet the requirements of IFRS 9 for the following reasons:
	  ◦ The hedge documentation had not sufficiently defined the hedge item
	  ◦ Consideration on whether the hedged loans are highly probable and whether the risk component is reliably measured
	  ◦ The date from the which the documentation has been prepared
	• We noted that documentation was completed after the start date of the transaction. Hedge accounting rules require that all accounting requirements are met which includes the completion of documentation prior to the commencement of the transaction
	• We engaged Auditor's internal experts to assess the valuation of the gain on the fair value and this confirmed that the value was not materially misstated.
	• Management have engaged Arlingclose to assist with the hedge accounting, and the subsequent amendments, and we are satisfied that they have sufficient competencies and capabilities to undertake this work.
		Auditor view
		Based on our review of the documentation and the work completed by Auditor's experts we are of the opinion that the changes in fair value should be recognised at Fair Value Through Profit and loss. This will require an adjustment to recognise this gain through surplus or deficit on provision of services and subsequently within the general fund balance.
		Management response
		We have now undertaken and processed all the amendments required to reflect the fact that this is an interest rate swap and not a hedge transaction

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2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £573.6m Investment Property valuations - £275.4m	Other land and buildings comprises of specialised assets such as schools and libraries which are required to be valued at depreciated replacement cost (DRC), reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The reminder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. Surplus assets and Investment properties are valued at the highest and best values. The Council values its assets on a five year rolling programme as at 31 March. £421m of assets were revalued in 2020-21. The Council engages both an internal and external valuer to undertake the annual valuation. External valuers were used to value specialist assets including the Tamar Bridge and Torpoint Ferry The total year end valuation of land and buildings was £573.6m, a net increase of £45m from the prior year (£528.6m)	We have reviewed the detail of your assessment of the estimate considering: • The assessment of the Council's valuers • The completeness and accuracy of the underlying information used to determine the estimate • The reasonableness of the overall increase in the estimate • The adequacy of the disclosure of the estimate in the financial statements • The sensitivities used by the valuer to assess completeness and consistency with our understanding and • Consistency of the estimate against Gerald Eve reported indices We have evaluated the assumptions made by management for those assets not revalued at the year end and how management has satisfied themselves that these are not materially different to current value at year end. We have identified a number of issues from our testing of Land and Buildings and Investment properties including: • Variances between the valuer's report and the Council's records • Failure to provide formal documentation to valuers • Variances between areas used for valuations and area per floor plans • No support for assumptions used to provide valuations We have used our auditors expert to obtain further assurance of the methodology used by the valuer	Light Purple

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £583.3m .	The Council's net pension liability at 31 March 2021 is £583.3m (PY £437m) comprising the Devon Pension Fund Local Government defined benefit pension scheme obligations with a non material amount relating to the Tamar Bridge and Torpoint Ferry Joint Committee. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2020. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	We have assessed the Council's actuary, Barnett Waddingham, to be competent, capable and objective We have performed additional tests in relation to accuracy of contribution figures, benefits paid, the reasonableness of the Council's share of the fund assets and investments returns to gain assurance over the 2020-21 roll forward calculation We have used PwC as auditor's expert to assess actuary and assumptions made by actuary – see table below for our comparison of actuarial assumptions We have undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures required Obtained assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data, and benefits data sent to the actuary by the pension fund We are satisfied that the disclosures are complete and accurate	Light purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2%	1.95% - 2.05%	●
Pension increase rate	2.8%	2.8% - 2.85%	●
Salary growth	3.8%	CPI + 1% = 3.8%	●
Life expectancy – Males currently aged 45/65	24 / 22.6	21.9 – 24.4 / 20.5 – 23.1	●
Life expectancy – Females currently aged 45/65	25.4 / 23.9	24.8 – 26.4 / 23.3 - 25	●

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £313.5m	The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income. There is a requirement to assess whether income received has conditions attached and should therefore be considered grant income or another classification of income. This will allow the Council to ensure the correction presentation of revenue in line with the Code.	• We have reviewed management's processes for identifying whether they are agent or principal for grant income and ensured that the appropriate disclosures have been made in the statement of accounts • We have agreed a sample of grant income to third party documentation including the grant paying body to ensure that revenue has been correctly disclosed • We have reviewed supporting documentation to identify any conditions an ensure that the Council has complied with these • We have reviewed year end accruals to understand how these have been calculated and that these are appropriately accounted for. • We have reviewed the Council's assessment as to whether they are acting as principal or agent in the treatment and recognition of grant revenue, and specifically covid grant funding. We have not identified any further issues in relation to this area and considered that the disclosures in the statement of accounts are appropriate.	Light Purple

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Civica Financials	ITGC assessment (design and implementation effectiveness only)	🟡	🟡	🟢	🟢	Revenue Cycle includes fraudulent transactions Fraud in expenditure recognition	The issue identified is that IT audit were unable to to test leavers as no evidence was provided. We have undertaken specific leaver testing and have noted further issues which we have reported
Capita One (Academy)	ITGC assessment (design, implementation and operating effectiveness)	🟡	🟡	🟢	🟢	N/A	This relates to revenue and benefit payments. We have undertaken specific testing in these areas and have not identified any issues
Technology Forge	ITGC assessment (design and implementation effectiveness only)	🔴	🔴	🟢	🟢	Valuation of Investment Property	We have undertaken substantive testing of investment property assumptions and have noted further issues which we have reported

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

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2. Financial Statements: Information Technology

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating: Security management	ITGC control area rating: Technology acquisition, development and maintenance	ITGC control area rating: Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
OLM Eclipse	ITGC assessment (design and implementation effectiveness only)	🟡	🟡	🟢	🟢	N/A	Relates to Child Social care and ability to change underlying details. Not considered to impact the financial statements
OLM CareFirst 6	ITGC assessment (design, implementation and operating effectiveness)	🟡	🟡	🟢	🟢	N/A	Relates to Adult Social care and ability to change underlying details. Not considered to impact the financial statements
Core HR	ITGC assessment (design and implementation effectiveness only)	🟢	🟢	🟢	🟢	N/A	N/A
Activity Directory	ITGC assessment (design and implementation effectiveness only)	🟢	🟢	🟢	🟢	Management override of controls	N/A

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

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2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
🔴	**Segregation of duty conflicts within Technology Forge** We noted that there were two business users who perform business processes/financial reporting with administrative access to Technology Forge, resulting in segregation of duties conflict. See pages 16 – 17 for further consideration and audit response. **Risks** A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to • unauthorised changes being made to system parameters • creation of unauthorised accounts, • unauthorised updates to their own account privileges • deletion of audit logs or disabling logging mechanisms	Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should define segregation of duty policies and processes and ensure that there is an understanding or roles, privileges assigned to those roles and where incompatible duties exist. It may be helpful to create matrices to provide an overview of the privileges assigned to roles. Management should adopt a risk-based approach to reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business. **Management response** Only one of the users performs business process. For the second user, the access is provided for resilience in case of leave / unplanned absences etc. The system has a full history checker and other background processes that would pick up any unauthorised changes, such as changes to rent. These are, annual financial forecasts and projected income and weekly reports of lease outs added to the system
🟡	**Lack of segregation of duties between developers and implementers in Capita One** Our IT Audit identified that, seven (7) user accounts had been granted the role 'Admin' access which enables them to both develop and implement changes in production. It is pertinent to note that these seven (7) accounts were used by five (5) users as one of the users had access to three (3) accounts. **Risks** The combination of access to develop and implement changes in the production environment creates a risk that inappropriate or unauthorised changes are made to data and/ or programs.	Management should segregate a user's ability to develop and implement changes. Privileged access to the production environment should be revoked from users that are involved in development. Where management is unable to fully segregate access for operational reasons, a risk assessment should be undertaken, documented and formally accepted. Alternative options to mitigate the risk could include performing a review of change implementation activity logs. These should be regularly reviewed for appropriateness by an independent individual with evidence retained. **Management response** Admin access for users will be reviewed. The one member of staff with three Admin accounts is a legacy issue and will be dealt with by the deletion of two extraneous accounts. Given the limited number of System staff and system experience within the business, combining these two functions is the most operationally expedient. A formal risk assessment can be drawn up and signed off by senior management. A regular review of change implementation logs can be set up and reviewed by the DSI Manager.

Assessment
🔴 Significant deficiency – risk of significant misstatement
🟡 Deficiency – risk of inconsequential misstatement

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2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
🟡	**Lack of segregation of duties between developers and implementers in OLM Eclipse** Our IT Audit identified that, seven (7) user accounts had been granted the role 'System Administrator' access which enables them to both develop and implement changes in production. **Risks** The combination of access to develop and implement changes in the production environment creates a risk that inappropriate or unauthorised changes are made to data and/ or programs.	Management should segregate a user's ability to develop and implement changes. Privileged access to the production environment should be revoked from users that are involved in development. Where management is unable to fully segregate access for operational reasons, a risk assessment should be undertaken, documented and formally accepted. Alternative options to mitigate the risk could include performing a review of change implementation activity logs. These should be regularly reviewed for appropriateness by an independent individual with evidence retained. **Management response** Two of these accounts are for OLM Consultants and can be disabled when not required for the Eclipse implementation project. However, this set up means that the system manufacturer believes that this is the most efficient set up of System admin. Separation of these two functions is not practical given the limited number of System staff and lack of system knowledge elsewhere and would require changes to role profiles and additional staffing and loss of operational efficiency. A formal risk assessment can be drawn up and signed off by senior management. A regular review of change implementation logs can be set up and reviewed by the DSI Manager.
🟡	When testing starters, leavers and changes of circumstances as part of our standard payroll SAP procedures we have identified a non significant control deficiency with regard to leavers. During the 2020-21 year the council implemented a new payroll system. Previously the system used was itrent, which has now moved over to core HR. This was done part way through the year. In our testing we have identified two leavers which Delt (The external payroll provider) were unable to provide the relevant backing documents. The client has stated that this is largely caused because they now have difficulty accessing the old itrent system given the time that has passed since it was last used. Payroll have confirmed that neither of the two leavers were paid after year end which gives us a level of comfort, however they are unable to provide the leavers forms or any signed documentation.	Where management are transferring data between systems steps should be taken to ensure that historical data is retained and maintained in order to provide evidence of changes made in year. **Management response** This probably would not have been a problem if the audit had been undertaken within a reasonable timeframe, the system changeover happened during the pandemic. We will ensure that steps are taken to avoid this happening with the new HR platform implementation.

Assessment
- 🔴 Significant deficiency – risk of significant misstatement
- 🟡 Deficiency – risk of inconsequential misstatement

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2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
●	In our testing of related parties, we have identified 8 individuals who did not complete their year end related party declaration form. All of these relate to councillors. This is an important control for ensuring that all material related party transactions are recorded in the note. This will therefore be reported in the AFR as a control deficiency. A similar finding was reported in the prior year. We are aware from discussions that the council performs their own checks e.g. companies house searches on the individuals in question. We have reviewed the clients checks and found that, for one councillor, companies house search identified that a director at TEC Construction Holdings, is a PCC creditor in the year. It was identified that in total £442k was paid over to TEC construction in the year. This is the largest related party balance for any individual. We therefore made inquiries with the client who confirmed that this amount was not included in the note on the grounds of materiality.	Management should ensure current checks undertaken are sufficiently robust and that any related party transactions are fully considered and appropriately disclosed. This process should also include ensuring that all councillors are completing year end declarations **Management response** We are currently reviewing the processes involved in relation to related parties as this is a complex area with many sources of data and we are keen to avoid duplication of data that is already available in other areas of the Council.
●	PFI Schools contract - Management was unable to produce a signed version of the PFI contract.	Management should ensure that all signed documents are maintained and available for audit **Management response** This signed copy is available, but the documents are large. This was an access issue due to Covid and the need to provide information remotely.
●	Testing of Heritage assets identified that items under £100k are maintained on a live system and that the value is at the date of enquiry. Therefore, when looking at retrospective values, unless documentation has been retained, it is not possible to verify, from the system, the total value or these items.	Where disclosures in the statement of accounts rely on data from live systems management should ensure that sufficient documentation is retained to support the figures included, especially where a live system that is subject to regular updating is used. **Management response** Management ensure a copy of the live database as at 31 March for the financial year is retained.

Assessment
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

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2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. Our testing identified two control issues in relation to related parties: • Declarations of interest were not received from 8 Councillors • One councillor who had not disclosed a Directorship in a company who had received payments from the Council
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work with the exception of the pension transaction issue. We remain of the opinion that the £73m transaction to pay the pension fund liability through a separate vehicle is not in line with legislation and should therefore be adjusted within the 2019-20 Financial Statements. Our view differs to management who have subsequently applied to DLUHC for a capital direction and await a formal response. We are unable to conclude on the 2020-21 audit until the resolution of this issue
Written representations	A letter of representation has been requested from the Council.
Confirmation requests from third parties	We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. We have received responses to all requests and no issues have been identified. We requested from management permission to send confirmation requests to the Pension Fund auditor. This permission was granted and the requests were sent. This confirmation has been provided and no further issues have been identified.
Accounting practices	Our review found no material omissions in the financial statements.
Audit evidence and explanations	All information and explanations requested from management were provided. We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

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2. Financial Statements: other communication requirements



Our responsibility

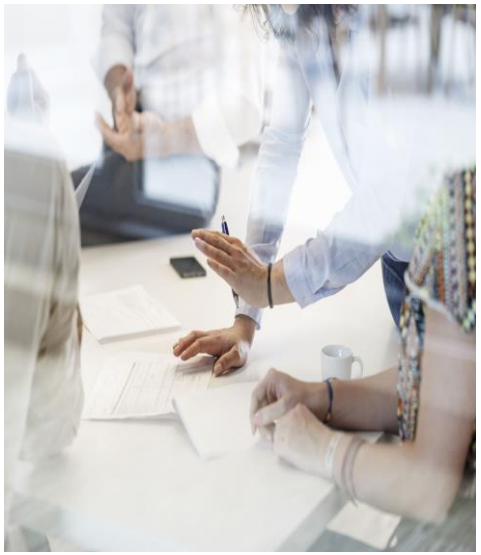
As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified.
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This work is not required at Plymouth City Council as they do not exceed the threshold required tor the completion of this work.
Certification of the closure of the audit	We intend to certify the closure of the 2020-21 audit of Plymouth City Council in the audit report.



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3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

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3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report reported in November 2022

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified three significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to this significant weaknesses in arrangements, as required by the Code. We have followed up these matters in our 2022/23 report and the Council has made good progress in addressing the majority of the issues identified.

Significant weakness identified during audit	Procedures undertaken	Key Recommendations
In setting the Council tax for 2022-23, members chose not to follow the advice of the Council's section 151 officer to increase council tax within referendum limits. This decision impacts both the 2022-23 budget and future budgets by not building on the base positions resulting in cumulative lost income of some £2.1m a year which would be £10.5m across the span of the Medium-Term Financial Strategy (MTFS)	We have: • Reviewed budget setting processes to ensure all assumptions are appropriate • Considered decision making process by members to evaluate whether these are fully informed and reasonable • Reviewed the MTFS and reporting of the position to ensure members are fully informed	Members should follow the advice of the Council's section 151 officer, and if recommended, allow for the increase of council tax within referendum limits for the 2023-24 financial year so that the Council may both reduce its funding gap and build up a sustainable level of reserves over time into the base position.
Plymouth City Council has experience deteriorating financial resilience for a number of years with its service spending pressures, its demand led children and adult social care costs, the impact of Covid and the affordability of the capital programme. The Council's ability to increase local taxation in line with inflation for several years has also impacted its financial sustainability as its level of general fund is in the lowest 20% of unitaries nationally.	We have: • Reviewed budget setting processes to ensure all assumptions are appropriate • Considered decision making process by members to evaluate whether these are fully informed and reasonable • Reviewed the MTFS and reporting of the position to ensure members are fully informed • Held discussions with Senior Management to further understand issues facing the Council	The Council's Medium Tern Financial Strategy (MTFS) needs to be updated, as a priority, for the mid-year 2022 Cabinet and Council meetings so that it reflect the latest inflationary and energy price increase. The MTFP needs to be robustly triangulated with savings, capital, treasury, workforce and operational business planning for 2023-24.
The Chief executive has spoken of a grave financial situation facing the Council and the Council's S151 officer has left the organisation. One of the Deputy Directors of Finance is currently acting up and there is a 30% vacancy rate in the finance department.	We have: • Held discussions with Senior Management to further understand the issues facing the Council • Reviewed finance department capacity to evaluate whether this is sufficient to meet the service requirements of the Council.	The Council needs to employ an interim senior finance officer to start immediately, to support the newly promoted Section 151 Officer, so the Finance Department has adequate capacity and knowledge required to help manage the Council's significant financial challenges and associated workload during 2022-23

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4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

We have made enquiries of component auditors and have confirmed their independence from the Council and Group and that they are not providing any non audit services that would impact on the group independence

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teacher's Pension Return	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	27,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £27,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees.

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4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff [that would exceed the threshold set in the Ethical Standard]

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

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Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

C. Follow up of prior year recommendations

D. Audit Adjustments

E. Fees and non-audit services

F. Auditing developments

G. Management Letter of Representation

H. Audit opinion

I. Audit letter in respect of delayed VFM work

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A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

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B. Action Plan – Audit of Financial Statements

We have identified 19 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards. Further consideration of Management responses for 2020-21 have been undertaken and are reported separately to the Audit and Governance Committee.

Assessment	Issue and risk	Recommendations
High	An issue was identified in relation to a £75m interest rate swap transaction which was signed off in April 2020 (Within the current audit period). Staff members involved in this decision have subsequently left the Council. Two issues were identified: 1 - IFRS9 states that formal documentation must be in place at the inception of the hedge relationship, the swap is dated 6th April 2020, and the documentation provided to the audit team in the prior year was dated as such. However, upon examination of the document properties it was discovered it was actually created on 26th July 2021. 2 - Upon investigation it was noted that the Service Director for Finance's, who left in late 2020, signature added to the document by other staff members. We have reviewed the governance processes, and reported separately to members, and do not consider the process to be fraudulent in nature.	Management should review the processes in place to ensure that all actions comply with statutory legislation. **Management response** Grant Thornton undertook a review of governance in 2021 and in line with the recommendations contained within the report the Council developed the Executive Decision Governance Route to provide support to members when making decisions on key/unusual or innovative decisions.
Medium	Journals testing has identified a number of segregation issues including: • There is in-built system deficiency that is not able to segregate the posting and authorising function for journals over the council's authorisation limit of £500k. • the ability for posters to authorise their own journals. It stems from the Civica system which allows posters to authorise their own journals. • 1 journals within our selection was not included within the Council's over £500 monitoring report. There is a risk that inappropriate journals will be posted leading to fraudulent transactions or misreporting within the financial statements	Management should review the journal process to ensure that sufficient segregation of duty controls are in place and that monitoring processes are sufficiently robust to identify and address any issues identified **Management response** The Lead Accountancy Managers will consider appropriate action to mitigate the risk.
Medium	The auditor had difficulty in obtaining a transaction level listing for the fees and charges income and other service expenditure, initially the listings provided were at a high level which were not suitable for sampling procedures. Although the listings were eventually obtained, this did cause delays to the sample selection process. Upon receipt of the listing we further identified £400m worth of debits most of which were contra entries. Further work was required to remove these which reduced the balance to £50m. As this was above materiality this required additional testing.	Management should ensure appropriate quality control is in place to ensure that information provided for audit are suitable for testing and agree to balances disclosed in the statement of accounts **Management response** There was a different approach to the external audit for 2020-21 to those we have experienced previously and the auditors did not make it clear initially what they required and what they were testing for. We could provide better source information if we understood what the testing was trying to achieve.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	For a number of OLB assets and Investment Property assets management were unable to provide floor plans to support the measurements used within the calculations. There is a risk that management and valuers will use inaccurate information which could result in a material misstatement within the statement of accounts	Management should ensure that all supporting information is maintained and is consistent with disclosures made in the statement of accounts **Management response** New valuation templates have been created for all assets so that there is now an appendix for plans and/or floor areas to be shown. This will ensure that there is a source for floor areas for each valuation as it will state where we obtained them from. However, it should be noted that measured floor plans are not necessary to support measurements. If the source of the floor area can be shown, this is sufficient as it will have been previously measured. A measured plan will not be available for each property as they will have been measured in previous years. This also is true where we have used areas from external valuation reports that have measured the assets in accordance with RICS guidance. They will not provide us with a measured floor plan, but we will use their measured floor area. As long as we can provide the source for this measurement, this should be sufficient rather than the actual measured floor plan.
Medium	Detailed testing on the obsolescence rates used on DRC assets has been performed. There are several assets in which we were unable to assess the obsolescence rate used based on the valuer's commentary and our use of comparison to the VOA s curve was not near the valuer's rate. We have made further inquiry on these, but we were unable to gather any more useful evidence for this. As a result, we are unable to conclude as to whether the rate used for the three assets tested are appropriate The total obsolescence applied by the valuer for these three assets is £1,342k and if they were 100% wrong this would not be a material issue.	Management should ensure appropriate obsolescence rates have been applied to all relevant assets **Management response** Within the new DRC valuation template, we now have a box for depreciation where text has to be inserted to detail the physical, functional and economic obsolescence before stating the overall depreciation rate. Obsolescence is considered to be subjective and based on a valuer's professional judgement. However, this depreciation rate is considered after taking into account inspection notes, condition surveys, improvements and any ongoing maintenance. The rates used will be appropriate as they are determined by these factors that are individual to each asset.
Medium	Three individual errors identified in which valuations have been applied to the wrong asset. As a result, both assets are misstated in the FAR by equal and opposite amounts. Though not a material issue, in this case, and no amendments are deemed necessary to the FAR, had this issue occurred on larger assets then there is the potential for a material issue to be created between assets. This demonstrates a control weakness in the valuations process and therefore we recommend this is more thoroughly reviewed.	Management should ensure that where the fixed asset register is updated that review is undertaken to ensure that all changes in values have been appropriately and accurately updated **Management response** This issue is noted and valuers are peer reviewing reports. Valuation report file names are now named by the property code, cross referenced on TechForge and finally, checked against the property code in the FAR issued to us by Finance. By cross-referencing the code three times, this prevents any confusion as to what value is assigned to an asset.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	Our refcus work identified that all 4 key items selected were in fact adjustments in which the client have corrected prior period errors in the current period, relating to refcus spend incorrectly classified as PPE additions in prior years. This has resulted in an unadjusted misstatement reported on the 'Misstatements' tab. Our work on this area has resulted in two issues below: 1 - In some cases the client did not know about the errors until 2020-21. However, for the asset Millbay the auditor is of the opinion that this could have been averted had more attention been paid to where the construction work was being done. 2 - The auditor has faced significant difficulty obtaining the relevant evidence for the REFCUS key items.. In 2020-21 working papers were not retained and resulted in a large time investment on the client side searching for the evidence and on the auditor's side understanding the client,s method.	For larger capital projects such as Millbay the client should perform a close review as to whether any work will be performed on land or assets the council do not own and account for it accordingly. Where the client perform large adjustments for items, they maintain clear working papers, and an audit trail which can be easily accessed, so that they can clearly explain the context, double entry, and evidence the totals involved and the methodology used in arriving at the adjustments **Management response** We will review our procedures and working papers to see how this can be improved.
Low	Where users have uploaded a manual Journal via the 'Journal Uploads' or 'Load Journals' function on Civica, it is not clear from the G/L listing who has posted the manual Journal. The User ID field indicates that the entries were posted by 'svc-civica-live-fina' / 'Radius', however to identify the user that posted the entry via this method would involve analysing the postings on a case by case basis. We have carried out additional work to confirm the users that have posted under these functions are in line with expectation.	User IDs should be assigned to all journal posted in order to allow easy identification of which member of staff has initiated the transaction **Management response** We will review the functionality to see if the audit trail can be improved. Currently these journals are done by uploads and are run in by the radius user (system).
Low	It was found that PCC do not have a clear process of how they consider if a transaction is material to a related party. In addition, from cumulative audit knowledge and experience (CAKE) we understand that the prior years audit uncovered that senior officers do not always disclose their related parties, and that the disclosed amount in the note for transactions with Devon Audit Partnership was incorrect and that several in year transactions and outstanding balances for Plymouth Science Park had been omitted.	Management should ensure an appropriate process for identifying and disclosing related parties is in place to ensure all disclosures are included in the statement of accounts **Management response** We will review our procedures and working papers to make improvements.
Low	From our review of the welfare benefit process, it was noted that recovery of debts from overpayments to claimants no longer receiving benefit has decreased. This is because the welfare benefit team were stretched with more benefits being paid out due to covid-19 reducing people's income so the team did not have capacity to chase outstanding debts. This effects the bad debt provision.	Management should ensure that when calculating bad debt provisions that all debts are considered and the provision accurately reflects the current position. **Management response** **The Council** has recently employed more staff within the debt management team to improve debt recovery.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	When undertaking the walkthrough of PPE and IP, we found that management had no formal process of reviewing the source data supplied to the internal valuer and NPS for completeness such as agreeing to prior year records and additions and disposals in year. Data from asset management system Techforge is downloaded and supplied to the valuer as it is. Management therefore places a degree of reliance that Techforge data is up to date and complete based on all the information and movements in year being fed to the system timely and appropriately. For 2020-21 since the 19-20 has not yet been signed off , this asset base is being maintained manually on a spreadsheet which makes the source data more susceptible and prone to errors in the absence of a control or reconciliation to ensure listing is complete.	Management should implement processes to review data passed to the valuer to ensure that this is accurate and in line with the figures included within the fixed asset register **Management response** We will introduce additional reconciliation controls and checks prior to supplying information to the valuer. TechForge is kept up to date and is the central database. Therefore, reliance should be on Techforge. In addition to this, with every valuation, the valuer refers to Techforge to see if there are any updated files that could affect the valuation. Therefore, this is now the formal process where the onus is on the valuer to check Techforge for lease updates or changes to the asset. In terms of assets, the rolling programme is issued first, then we value the investment properties as these are done on an annual basis. In terms of any additions or disposals, this is dealt with last and this list of surplus, AHFS and ad-hoc is issued last. However, as with the rolling programme and investment, these assets are checked against Techforge when valued to ensure correct assets are valued.
Low	We testing the existence testing, we selected asset naming Street lighting bulb replacement with asset code TRA0012A/001. Asset is related to amount incurred in 2014-15. Client is able to provide the breakdown of the asset. But is not able to provide invoice copy or anything to support the existence. We have selected replacement sample against this sample in our testing	Complete records should be maintained to support transactions recorded in the general ledger and to demonstrate the accuracy of disclosures **Management response** We were not aware of this issue and are not sure if this was pursued with us. However, the original transaction is now 10 years old.
Low	Review of instructions provided to the valuer by the Council identified the following issues: • No formal terms of engagement document was issued for either internal or external valuers which does not comply with legislation. • No formal overriding valuation report has been provided covering the formal valuation process. Further where no evidence exists to support the EUV, the DRC process has been used but no specific commentary in relation to this approach has been provided. The Auditor's Expert has concluded that there is no reason to suggest that the valuation process will not be in line with the guidance.	Management should ensure that instructions provided to the valuer are in line with legislation requirements **Management response** We will ensure that we receive formal terms of engagement in future as well as an overriding valuation report. Instructions were issued but it is noted that a formal Terms of Engagement was not agreed and saved on file. This will be done going forward and we will ensure we have an email agreeing the Terms of Engagement saved on file. An overriding valuation report was provided covering the formal valuation process. The new valuation templates provide sections where the approach should be explained. This will ensure there is a clear explanation for the method used.
Low	In relation to the asset 'Regent Street MSCP', management has stated that the asset is unregistered. However, audit team have acquired the deed for this asset from the client to provide assurance over ownership of the asset	The Council should ensure that all assets owned are appropriately registered to demonstrate ownership **Management response** We will endeavour to ensure that all owned assets are appropriately registered.

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	In assessing the disclosures in the financial statements in relation to the revaluation of assets the following issues were identified • A variance of £320k for one asset due to a variance between the value recorded in the valuer's report and that recorded in the client's records • Difficulty in reconciling the overall value of the FAR to the Council's records which is mainly due to a large number of blank lines where no valuation has been applied to the asset.	Processes should be in place to ensure a robust reconciliation between sources of information to ensure all records are accurate and up to date **Management response** We will review our procedures and working papers to see how this can be improved.
Low	We have identified that part of the reconciling difference between the PPE note and note 15.3 relates to depreciation, primarily on children's centre assets but also on some other assets. The total amount of this is above trivial at £441k. As per paragraph 4.1.2.33 of the code, this states that all depreciation should be written out on assets that are revalued. As a result the auditor is confident that there should be no depreciation on these assets which have been revalued and that the amount in note 15.3 should reflect the revalued amount. Management have confirmed that the children's centre assets are valued as at 1st April 2020 and so it is reasonable for there to be a depreciation charge. This represents £359k. The remainder (Roughly £82k) relates to assets which have been revalued at year end and therefore depreciation on these should be written out in line with the code guidance. As this amount is trivial, no adjustment is necessary.	Management should ensure that depreciation and related records are updated in line with the requirements of the Code. **Management response** We will review our procedures and working papers to see how this can be improved.
Low	The auditor has recalculated the accounting entries for all assets selected for testing. Overall, no significant issues have been identified. However, the auditor has had significant difficulty in performing the calculations due to the nature of the clients' working papers. Firstly, the FAR was not updated to include all the relevant adjustments such as the depreciation charges which were added manually following a prior year finding that revalued assets were not depreciated by the client. There was also no single working paper which could be used to trace the revaluation movements and shows the clients workings and processes. We recommend that the client keep and prepare more robust workings which clearly show the revaluation accounting entries so that these can clearly be traced and audited.	We recommend that the client keep and prepare more robust workings which clearly show the revaluation accounting entries so that these can clearly be traced and audited. **Management response** The asset register is closed after each financial year to enable work to be undertaken on the following financial year. Due to the significant 3-year delay in getting the 20/21 accounts audited it was not possible to keep Tech Forge open in order to action audit amendments and it has been hard to work on a mostly manual process for amendments due to the delay in being audited and with so many financial years outstanding. It is hoped that once the backstop issue is resolved that we can go back to a more robust method of providing information.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	We identified that the FAR contains a line for asset no C5390 which was not on the valuers report, the client explained that asset C5390 is included in the line for asset C5149 and therefore the line in the FAR for C5390 should be deleted. Additionally, we identified that lines in the FAR with the asset reference NPP5 represent old AUC which has since been transferred over to the relevant asset as an addition, these therefore also should be deleted from the FAR.	Management should review the Fixed Asset Register is accurate and reflects all relevant adjustments **Management response** We will be introducing additional checks and reconciliations as part of the 2023-24 year end process
Low	We have identified a significant value of VPE assets which have been fully depreciated and sit on the FAR with a nil NBV. The value for this is £30,342k which is well above material. We have challenged management as to whether they undertake a review of assets fully depreciated, for which they have confirmed that no review takes place. From a sample tested 2 assets were confirmed as being in still in operational use. The client has confirmed that they will delete 3 of the assets as they are no longer in use. In total this means that our test has identified £1,714k of assets which should be removed from the FAR. This highlights the need for the council to undertake a detailed review of their FAR and remove all assets which are no longer in operational use. We have identified a similar issue within intangible assets for which assets with a gross book value of £8,503k had a recorded net book value of £1. It has been confirmed that these assets have transferred to DELT and it is therefore audit opinion that there should be fully derecognised.	Management should undertake a formal review of all fully depreciated assets to identify whether these continue to remain operational or not and derecognise those that are not. **Management response** We are currently reviewing the fully depreciated assets to identify whether the assets are still operational and will derecognize those that are not.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

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C. Follow up of prior year recommendations

We identified the following issues in the audit of Plymouth City Council's 2019/20 financial statements, which resulted in 6 recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note 5 are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	The IAS19 report provided to the Council by the actuary omitted the transactions and assets and liabilities of the Council's share of Livewell South West pension arrangements. The Council's processes to ensure that the information provided by their expert is complete and accurate were not sufficiently robust to identify this error	We have reviewed the IAS19 disclosures and consider that these are accurate and have included all the expected members
X	Testing identified that not all manual journals requiring authorization had been authorised	Authorisation of all manual journals is still not in place. We have raised a recommendation for this issue in 2020-21
X	Our work identified that the Council had not made an in year depreciation charge to the comprehensive income and expenditure account and balance sheet. The impact of this omission remains under investigation and relates to other land and buildings and the Council's share of the Tamar Bridge	We have again identified that management have not accurately accounted for depreciation in relation to assets revalued in year. Although in year depreciation charges are appropriate, we consider this issue still exists and have raised a further recommendation in 2020-21
X	We identified that your senior officers had not completed a related party form or had submitted form which did not include all their related parties	Although we have not identified any issues with senior officers we have identified issues with members including significant related party transactions that should have been disclosed and 8 members who had not completed an annual declaration
X	Our testing identified 22 assets that did not appear to have been revalued within the five year rolling programme. All these assets had a nil value within the fixed asset register. Of these assets twenty related to assets that should have been deleted from the asset register and for the remaining two a nil value was appropriate. This presents a weakness in maintaining the asset register and a risk that the asset register is not kept up to date	We have identified that a large fully depreciated balance of assets still exists and that management need to complete a formal review to identify which of these are still operational. We have raised a recommendation in 2020-21
X	It was noted that no Terms of Engagement was issued by the Council's internal valuer. It is an industry requirement that such a document is produced by the valuer and agreed with the Council prior to commencing work	Management have still not issued formal instructions to the valuers and therefore we have raised a further recommendation in 2020-21

Assessment

✓ Action completed

X Not yet addressed

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D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements, including the balance sheet general fund position, and the reported net expenditure for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Whilst testing investments, auditor discovered that a year end balance on one of the holdings at year end was incorrectly reported. Upon receipt of evidence for the clients Fidelity investment, queried a disparity in the £6,949,180.68 expected amount, to the amount of £4,391,142.44 that was evidenced by the third party.	Corporate Items – (6,949) Financing Investment - 4,391	Long term investments - 6,949 Pooled investments – (4,391)	(2,558)	2,558
We have discussed the interest rate swap that has been included as a hedging transaction with management and noted that it should be disclosed as fair value through profit and loss rather than through other comprehensive income and expenditure to comply with the requirements of the Code and the Accounting Standards	Financing Investment - 5,705 Hedged recognised gains - (5,705)	Usable reserves -(5,705) Unusable reserves - 5,705		
As a result of issues and adjustments identified in 2019-20 there have been adjustments to the opening balances	People Directorate – 2,084	Short Term Debtors – 259 Short Term Creditors – (2,342)	2,084	(2,084)
Section 106 adjustments – When processing changes in the 2021-22 draft statements management have identified a missing contra to reconcile Long Term Capital Grants receipts in Advance. This has resulted in an adjustment to the 2020-21 statements	Taxation and Non-specific Grant Income - (2,732)	Grants received in Advance – Capital - 2,732	(2,732)	2,732
An adjustment to Heritage assets in 2019-20 has resulted in a revaluation change in 2020-21	Surplus/Deficit on Revaluation of Non Current Assets - 102	Heritage Assets – (102)	102	(102)
Adjustments to Heritage assets in 2019-20 have resulted in changes to PPE and reserve balances in 2020-21		Heritage Assets – (20,195) Unusable reserves 20,195		(20,195)
There are a number of transactions identified in 2019-20 and 2020-21 that have necessitated a transfer between reserves. These have a material impact in changes of value within the reserves but do not impact the overall reserves position		Pension prepayment – Usable 73,375, unusable (73,375) Interest rate swap – Usable 5,705, Unusable (5,705)		
Overall impact	(3,104)	(17,091)	(3,104)	(17,091)

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D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Capital Commitment Note There is a £500k understatement in the capital commitment disclosure which is unadjusted. They have disclosed a £2m commitment to [Re-development of Old Town Street / New George Street East] which is incorrect as the true commitment is £2.5m.	Management should ensure that capital commitments disclosed in the statement of accounts agree to those figures reported to members	✓
IAS19 agreement to the accounts: Whilst undertaking this work the auditor identified that for the Plymouth LGPS assumptions in note 34.5, the prior years discount rate is rounded to 2.4% when the IAS19 states 2.35%. In the auditors judgement the use of rounding for these assumptions is not appropriate given the large amounts involved and the impact the discount rate has. The same issues has been identified in relation to Tamar Bridge and Torpoint Ferries assumptions	Management should ensure disclosures are consistent with third party reports	✓
Trial Balance Reconciliation to Statement of Accounts During recalculation of figures within the Balance Sheet, the engagement team has identified that the line 'Net Assets' has been misstated as £180,030k, rather than the calculated £189,030k. This recalculated figure also reconciles to the TB.	Management should review balances to ensure they are accurately disclosed	✓
Note 27 The audit fees for the year under review did not agree with the audit plan by 3k. This was discussed with the client, who agreed that the note was prepared before the audit plan was received and therefore agreed to update the disclosure.	Management should ensure audit fees included in statement of accounts agree to those communicated in the audit plan	✓
Note 13: During our pension liability testing it was noted that note 13 does not agree to the CIES disclosure. The CIES discloses an amount of £23,300k but note 13 states an amount of £26,961. Queried with the client who confirmed note 13 has not been correctly updated and agreed to the adjustments right. Note this is disclosure only as the CIES is correct.	Management should review balances to ensure they are accurately disclosed	✓

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D. Audit Adjustments

Misclassification and disclosure changes (cont)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Page 20 - Narrative Report: For point 2 on balance sheet position - Prior years figure for business rate appeals is £1.889m but the prior years FS states £2.53m. Client has agreed that the figure should be updated.	Management should ensure the narrative report is consistent with the financial statements	✓
Note 10 - Adjustments between accounting and funding basis under regulations: Note 10 states a total of £32,687 for the collection fund adjustment account, but note 22.6 states £32,688.	Management should ensure figures are consistently disclosed throughout the financial statements	✓
Note 22 - Unuseable reserves: Financial instruments adjustments accounts stated as £26,044 but note 22.3 is stated as £26,024. Client has confirmed that note 22.3 has a 20k opening adjustment in 2020-21 which is incorrectly included and should be zero.	Management should ensure figures are consistently disclosed throughout the financial statements	✓
Note 26 - Senior officer rem: The auditor has identified 2 errors as a result of our testing: 1 - The service director for 'Customer Services and Service Center', in which Payroll confirmed by email that they had provided the wrong figures for her, and that the amount stated on the payslip inspected by the auditor was correct. Client have agreed to amend for this variance. Total agreed should be 110,491 (74,513 in salary column and then 35,977 in the loss of office). 2 - The auditor identified that the 'Service Director for Street Services', had the incorrect salary amount within the note. A variance was identified between the payslip inspected and the note. Head of payroll - Delt, confirmed that the payslip figure was correct and the note for this individual is misstated. The client have agreed to amend.	Management should ensure disclosures are consistent with third party reports	✓
Note 23.4 - Cash and Cash Equivalents The auditor identified a disclosure error in Note 23.4. Upon reconciling the Note to the Ledger, it was identified that: 1) Cash and Bank Balance line was incorrectly stated as £0. This should be £440k. 2) The Cash Investments - regarded as cash equivalents line was incorrectly stated as £41,414. This should be £40,974k. Effectively, in the accounts, £440k has been removed from Cash Investments line and added in to the Cash and Bank Balances line, which agrees to the ledger figures. The net amount shown in the accounts are correct.	Management should review balances to ensure they are accurately disclosed	✓

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D. Audit Adjustments

Misclassification and disclosure changes

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Accounting Policy Review: Noted that in the estimation uncertainties note the council have included a disclosure for material uncertainty on pension fund assets. However, confirmed that this is not appropriate for 2020-21 and confirmed with the pension fund auditor that there was no clause at this time as markets had stabilised following the start of the pandemic.	Review of accounting policies should be undertaken to ensure that all relevant disclosures are either appropriately included or excluded.	✓
Accounting Policy Review: We have noted that there has not been any inclusion of a policy for the infrastructure assets. In line with updated guidance this should be included. The client has agreed to add a policy in. Please note, this was agreed by the 2019-20 audit team and the client will add the same policy to all of their accounts.	Review of accounting policies should be undertaken to ensure that all relevant disclosures are either appropriately included or excluded.	✓
Narrative report page 4: Management to add in some detail regarding both the audit delays and the pension transaction issue.	Management should ensure the narrative report reflects the current situation to ensure the reader is aware of all relevant issues	✓
Working balance page 17: The balance is disclosed as £8,394k. This should be made clearer that the amount does not meet the recommended minimum and a comment should be added to this effect. We also believe that the pound value of the minimum should be shown for comparison purposes.	Management should ensure the narrative report reflects the current situation to ensure the reader is aware of all relevant issues	✓
PPE Note 15: There is an amount of 120k missing from the table on the transfers to/from assets held for sale line. Amount is trivial but should be added in.	Management should review balances to ensure they are accurately disclosed	✓
Note 23.2 - investing activities: Sale of short term investments should be 12m.	Management should review balances to ensure they are accurately disclosed	✓
Covid grant disclosure: An error has been identified in relation to two grants which were initially categorised in the covid grants disclosure as being treated on an agency basis, when in fact they should have been categorised as principle. This is in relation to the rapid testing fund and the Business Improvement District support fund for £780,458 and £39,495 respectively. This is a disclosure issue only in the covid grants disclosure note, the actual treatment in the ledger is correct.	Review of all grant income should be undertaken annually to ensure that they are accurately classified within the financial statements	✓

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D. Audit Adjustments

Misclassification and disclosure changes

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 29 and covid grant disclosure: The auditor identified that in note 29 the GRIA includes an amount of £331k for leisure recovery grant which is not included in the covid grant disclosure	Management should review balances to ensure they are accurately disclosed	✓
Cash flow statement - Investing activities Within the primary financial statements, on the face of the cash flow statement, the total for purchase of PPE, IP and intangible assets is stated as 75,727k, when it should be £83,089k.	Management should ensure figures are consistently disclosed throughout the financial statements	✓
Related Parties: We have identified that the clients related party table in note 30 is incomplete. The client also have a 100% owned subsidiary called ARCA. Confirmed that the 2020-21 balances should be the same as in the group determination working paper being £95k receipts, £227k payments, and £246k outstanding balances.	Management should review balances to ensure they are accurately disclosed	✓
Heritage Assets: Contained within heritage assets is a special book collection with a value of £3.5m that has not been separately disclosed.	Management should ensure all relevant disclosures are accurately included within the statement of accounts	✓
A small number of typographical and grammatical amendments were made to the Accounting Policies and Narrative report to more accurately reflect the requirements of the code and improve the document for readers of the accounts	Management should strengthen quality checks to ensure as many grammatical and typographical errors are identified and corrected	✓

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D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

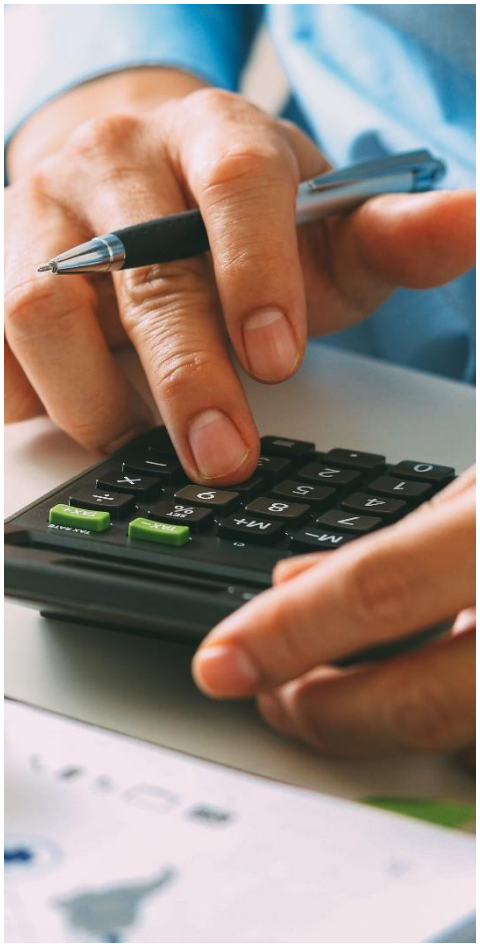
Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit & Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Errors identified as part of our PPE revaluations testing in respect of the floor area discrepancies on three assets. These are Plymouth Guildhall, Plymouth Library, Ballard House and Windsor House. This has caused an overall understatement to the assets.	Revaluation reserve (1,391)	PPE 1,391	(1,391).	1,391	Not material
Errors noted in relation to the REFCUS Key Items samples	Revaluation reserve 1,434	PPE (1,434)	1,434	(1,434)	Not material
Errors noted in relation to the REFCUS Key Items samples where errors identified which relate to prior years were corrected in 2020-21	REFCUS (5,474)	PPE Additions 4,093 Investment Property Additions 1,381	(5,474)	5,474	Not material
Error identified in the income cut off testing from the bank. The total amount not accrued for is £290,800. An extrapolation has been performed which shows that the impact of the error over the entire population is unlikely to be material. Total extrapolation is £884k. The amount is is relation to the new burdens grant amount for the 2020-21 year. Although the amount relates to the 2020-21 financial year, and was received after the year end. The client has confirmed that no accrual was processed for this amount.	Grant Income (884)	Debtors 884	(884)	884	Not material
Error identified with the accounting treatment of the Local restrictions grant (Open) which has been accounted for on an agency basis when it should have been principle in line with the guidance. This means that income has been misstated by the value of the grant. The in-year amount is £417,827 with the unspent amount of £662,109 which should be treated as a grant received in advance.	Expenditure 418 Grant Income (418)	Creditors 662 Grants received in advance (662)	0	0	Not material
Overall impact	**£(6,315)**	**£6,315**	**£(6,315)**	**£6,315**	

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D. Audit Adjustments (continued)



Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2019/20 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Reason for not adjusting
A difference was identified between the collection fund adjustment account in reserves and the movement on the collection fund statement. This was due to errors in compiling the account caused by resource constraints arising from the Council's response to Covid-19	(3,298)	3,298	(3,298)	Not material.
Overall impact	£(3,298)	£3,298	£(3,298)	

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E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee
Scale fee published by PSAA	£105,393
Ongoing increases to scale fee first identified in 2019/20	
Raising the bar/regulatory factors	£5,000
Enhanced audit procedures for Property, Plant and Equipment	£9,500
Enhanced audit procedures for Pensions	£3,500
Materiality and new standards	£6,000
Local issues	£13,393
New issues for 2020/21	
Additional work on Value for Money (VfM) under new NAO Code	£26,000
Increased audit requirements of revised ISAs	£17,000
Local risk factors – new accounting treatment	£10,000
Additional fee to be agreed with management	TBC
Total audit fees (excluding VAT)	£195,786

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E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services - Grant Claims		
Housing Benefits Certification	27,000	27,000
Teacher's Pension	7,500	7,500
Total non-audit fees (excluding VAT)	**£34,500**	**£34,500**

The fees reconcile to the financial statements as per the adjustments below.

fees per financial statements - £212,000

- Additional HB certification cost - £2,500
- Additional Teacher's Pension cost - £3,300
- Additional costs per audit plan - £12,486
- total fees per above - £230,286

None of the above services were provided on a contingent fee basis

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

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F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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Plymouth City Council
Audit Progress Report and Sector Update

July 2024



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

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Introduction

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This paper provides the Audit & Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit & Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications https://www.grantthornton.co.uk/en/services/public-sector-services/

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

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Progress at July 2024

Financial Statements Audit

2019-20

The audit of the 2019-20 accounts is substantially complete follow the resolution of the pension entry. We have reaffirmed our position, through discussions with management, in respect of accounting for the pension transactions We noted in our progress report, presented to Audit & Governance Committee in November 2023, that the Council had started the process of requesting a capitalisation direction from the Department for Levelling Up, Housing and Communities (DLUHC). The Council received a letter from the Local Government Minister on February 28th 2024 setting out the Department's assessment of the Pension transaction and the potential financial and governance related impacts. In our view the letter provided reasonable assurance in respect of the Council's 24/25 budget and how the Pension transaction was to be accounted for but less so in respect of accounting for the transaction in prior periods including 19/20. We continue to discuss the implications that this will have in respect of future financial years and note that management have adjusted the 2019-20 and 2020-21 financial statements to reflect the impact of the pension prepayment in line with the findings of the audit. This has resulted in a deficit reserve position although, as noted previously, does not impact on the budgeted position for 2024-25.

2020-21

We have substantially completed our work on your financial statements for 20-21 and have presented our findings at the March and July Audit & Governance Committees.

As reported in audit plan the following significant risks were identified:

- Management override of controls
- Fraud in expenditure recognition
- Valuation of net pension fund liability
- Valuation of Land and Buildings & Including Investment Property
- Financial Instruments

Members will be aware of the system wide pressures being experienced within the audit market and will have noted the delay in the completion and certification of prior year audits for the Council. To clear the backlog of historical accounts and 'reset' the system, the Department for Levelling Up, Housing and Communities (DLUHC), subsequently renamed the Ministry of Housing, Communities and Local Government (MHCLG), proposed putting a date in law (the "backstop date") – 30 September 2024 – by which point local bodies would publish audited accounts for all outstanding years up to and including 2022-23. Following the general election on July 4th a change of government has created further delay to a final decision. We will continue to monitor the situation and report any updates to members

The backstop date is likely to be a factor in local auditors issuing a modified or disclaimed opinion on outstanding accounts if they do not have enough time to complete all the audit work before that date. Auditors have a responsibility, under auditing standards, to clearly communicate the reasons for their opinion with their report, including where the backstops date causes a modified or disclaimed opinion.

The Council are facing a unique and unprecedented set of challenges linked to the cost of living and the increases in inflation and interest rates. This has required the finance team to concentrate on day to day management tasks and the proposed approach is to also relieve some of the audit pressure. We are, therefore, proposing to backstop the 2021-22 and 2022-23 audits and have started our planning work for 2023-24.

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Progress at July 2024(cont.)

Value for Money

As with the financial statements audit the Value for Money work is ongoing and we continue to discuss with management a realistic and achievable timeframe to deliver this work. Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

NAO have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 22-23 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN3 and issue their Auditor's Annual Report when their work is complete.

We have completed our review of the Council's arrangements for 2022-23 and have presented the Auditor's Annual Report at the March Audit & Governance Committee and are in the process of undertaking planning for the 2023-24 review.

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DwP). The certification work for the 2021/22 claim is now complete and work for 22/23 started in February 2024.

We certify the Authority's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2021/22 return is now complete and we have begun work for 22/23, which will be completed by 30 November 2024.

Meetings

We meet with Finance Officers monthly as part of our liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in January and February 2024, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

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Audit Deliverables

2020/21 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit & Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2022/23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report	November 2022	Completed
Interim Audit Findings We will report to you the findings from our interim audit within our Progress Report.	November 2023	Completed
Audit Findings Report The Audit Findings Report will be reported to the March Audit & Governance Committee.	March 2024	Completed
Auditors Report This includes the opinion on your financial statements.	July 2024	Not yet due
Auditor's Annual Report (2022-23) This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.	March 2024	Completed

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Audit Deliverables

2023/24 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit & Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2023/24 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report	September 2024	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit within our Progress Report.	September 2024	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the Audit & Governance Committee.	December 2024	Not yet due
Auditors Report This includes the opinion on your financial statements.	December 2024	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.	December 2024	Not yet due

2022/23 Audit related Deliverables	Planned date	Status
Teachers Pensions Scheme – certification This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.	November 2024	Not yet due
Housing Benefit Subsidy – certification This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.	September 2024	Not yet due

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Audit Backstop - update

As we have previously updated, the Government consulted in February 2024 on a proposal to introduce a series of statutory backstops to bring the local audit system back on track. The proposals also included a series of updates to the NAO's Code of Audit Practice.

Our understanding was that the necessary regulations to enact the backstop legislation were due to be laid before Parliament prior to summer recess in July 2024. This would have enabled the legislative framework which would have enabled the 30 September 2024 backstop to be implemented.

The calling of a General Election on July 4th puts this timetable in considerable doubt The Government that is elected will have to both decide if it wants to implement the backstop solution and if so, determine the timetable by which it happens. In the meantime we will continue with the plan we have informed you of in respect of your audit and will backstop the 2021-22 and 2022-23 Statement of Accounts.

Audit sign off as at 31 May 2024

As at the end of May, we had signed 136 audits for 2022/23, representing 65% of our local government population. We envisage achieving a 75% sign off rate by the end of September. This compares with a sign off rate for other firms at the end of May of 7% (18 audits). If the backstop is extended to the end of the year – we envisage this figure moving to 80% completion.

We had signed off 81% of our 2021/22 audits by the end of May. We envisage achieving an 85% sign off rate by the end of September. Other firms had signed off 48% of audits by the end of May.

Audit year	Grant Thornton audits signed	Grant Thornton audits signed	Other firms
	Position as at end of May 2024 (%)	Forecast position end of Sep 2024 (%)	Position as at end of May 2024 (%
2022-23	65	75	7
2021-22	81	85	48
2020-21	92	92	81

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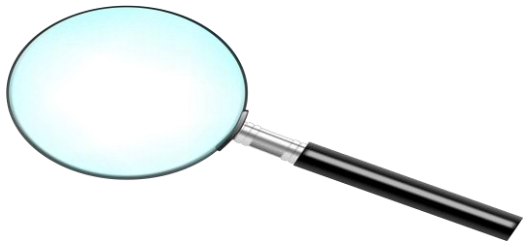
Change of external auditor – how to get the best out of new arrangements

With 2023/24 being the first year of a new five-year PSAA contract for external audit, and the year-end (31 March 2024) having just passed, many Local Authorities will now be starting to work closely with a new incoming external auditor. Audit delays from the past mean that for some Local Authorities, this will be the first close experience of working with an external auditor for several years.

When it works well, external audit can provide management with valuable insight and, at the same time, demonstrate to the public that there has been proper use of, and accounting for, public money. To get the best out of this year's audit though, many Local Authorities will need to take effective steps to close-down the prior year backlog whilst simultaneously ensuring a smooth transition between different external auditors.

A recent Local Government Association "Must know" guide on working with auditors may help with navigating the unique challenges that this year's audit cycle poses. The guide provides an oversight of internal and external audit functions and outlines what to expect from external audit, and when to expect it.

For the full guide, see Must know guide: Working with auditors | Local Government Association.



Working well with a new external auditor

- **Understand the respective responsibilities of the Local Authority and the external auditor.**
- **Be open to early meetings between senior executives and the new external auditor.**
- **Understand that outgoing and incoming external auditors will need time to confer.**
- **Introduce the Head of Internal Audit.**
- **Facilitate introductions for the Audit Committee.**
- **Share the timetable and be clear about how timetable risk will be managed.**
- **Provide a named single point of contact and appropriate supporting resources.**
- **Provide early information around any new projects, including commercial projects.**
- **Provide appropriate access to IT systems and records.**
- **Respond promptly to requests for information.**
- **Ensure that all relevant staff affected by the external audit process understand what to expect and why it is important.**

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Local government elections – what do they mean for Audit Committees?

With the 2nd May 2024 local government elections having seen changes at many of the 107 local authorities that took part, for many local authorities it is now time to agree Audit Committee membership at the start of a new municipal year.

Whilst newly elected administrations will inevitably want to focus on new strategic vision and "fixing things", it will be important to remember to continue to "defend things" and protect the underlying mechanics of effective government as well.

The Audit Committee is one of the key lines of defence for a local authority. Its members oversee governance, risk management, internal and external audit, anti-fraud arrangements, financial reporting and statutory duties.

Following the local elections there may be changes to appointments to the Audit Committee. Experience shows that the Committees are more effective when appointments are non-political; cover a range of relevant skills and experience (including financial expertise); and include at least one independent, co-opted member. Two independent co-opted members is generally considered best practice.

Once appointed, the new Audit Committee will need to build relationships with internal audit, external audit, and senior management. It may also want to review its terms of reference. Training needs of new Audit Committee members will also need to be identified and training provide.

Annual reviews of Audit Committee effectiveness are common, but for the early days, new Committees may wish to make use of the Local Government Association's April 2024 "Ten Questions" to make sure they start by steering on the right path.

For a full copy of the Local Government Association's guide, see Ten questions for audit committees .

Ten questions for a newly formed Audit Committee

- **How can we be an effective Audit Committee?**
- **What might we miss as an Audit Committee?**
- **How will we get assurance for ourselves and others regarding governance, risk management, internal control, and the accuracy of financial reporting?**
- **What is management doing to ensure there is an effective culture?**
- **How does management support and promote the role of audit (internal and external)?**
- **How will management provide us with practical support?**
- **What is internal audit's role, scope, and mandate? How should internal audit be resourced?**
- **How does internal audit set its audit plan? Is internal audit providing assurance around business-critical risks?**
- **How do we know we have an effective internal audit function?**
- **How should internal and external auditors work together to complement each other?**
- **What are the 2-3 things we should be most worried about?**

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LGA Improvement and Assurance Framework

On 24 May 2024 the Local Government Association (LGA) published an Improvement and Assurance Framework which is applicable to unitary, county, district and borough councils in England, and to English authorities with all types of governance system.

There has not previously been a document or framework which sets out, in one place, the various required components of local government assurance, how they all fit together, how to use them effectively and what improvement support is available to help. This framework aims to:

- support councils to understand how to use the components within the framework and how they fit together;
- increase the effectiveness of assurance in the sector. While it cannot itself prevent failures, its use may reduce the risk – and costs - of statutory or non-statutory intervention, whether by Oflog, central government or other regulators;
- make it easier for local residents and businesses to understand how to hold their local authority to account.

The framework includes content on:

- A definition of assurance.
- How does accountability work?
- Components of the improvement and assurance framework.
- Working with auditors.
- Guidance on taking a structured and robust approach to considering commercial activity.
- Guidance for officers in key statutory roles and for key committees including the Audit Committee.
- How does the council hold itself to account?
- Key principles of good assurance and accountability.

The framework can be accessed here:

https://www.local.gov.uk/publications/improvement-and-assurance-framework-local-government-0



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The State of the Locals

In April, shortly before the recent local government elections, a "State of the Locals" report found that public trust in government at all levels is falling, but that public trust in local councillors and the Local Authorities they run is still almost twice as strong as public trust in the national UK government.

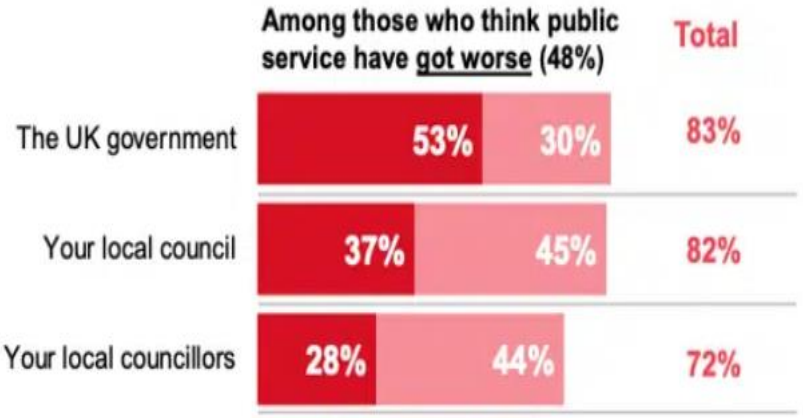
The report, published by the Local Government Information Unit (LGIU), found that the public do recognise the role that Local Authorities and their members play and do credit them when things go well. However, the report also found that the public believe services have got worse over the last five years overall; believe Local Authorities play a significant role in this (although not as great a role as the national government); and do not always understand what Local Authorities do.

For new members joining local government for the first time and for the more experienced members starting or continuing their term, it's worth reflecting on LGIU findings. From the surveys that LGIU carried out, detailed findings show that people feel residents should be included more within decision-making processes; but there remains a low level of public awareness about what local government does.

This may be a good time to revisit communications strategies. Educating the public about the role and functions of local government, as well as the outcomes that members are actually able to achieve, might not only protect trust at its current level above national government, but also pave the way for a stronger level of trust overall in the future.

For a full copy of the LGIU report, see The State of the Locals 2024 - LGIU

State of the Locals extract: Who do the public think are responsible?



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Productivity plans – new guidelines revealed and a note of caution

On 16th April 2024, Local Government Minister Simon Hoare wrote to all Local Authority Chief Executives, asking them to formally begin compiling their productivity plans. Key things for members to be aware of are:

- There is no formal template and there are no specific metrics to report;
- Four categories are proposed for consideration. These surround resources; technology; reducing wasteful spend; and the barriers preventing progress;
- Metrics and performance indicators are expected to be included in the plans, but Local Authorities can decide for themselves which ones are relevant to include;
- Plans should be three to four pages long and need to the be returned to DLUHC by 19th July 2024, with members having endorsed them first; and
- For transparency, plans should then be published on the Local Authority's website, so that residents can see them and, over time, monitor progress.

Whilst this may feel like additional burden, there will presumably be scope for using key performance indicator metrics already available.

The current intention of government is not to use Productivity Plans for rating or scoring or for league tables, but rather to inform policy considerations in the future. However, most Councils will remember that the Times recently used Office for Local Government data to compile and publish its own league table, so far without any redress from national government.

For Productivity Plan metrics, as for any other performance indicators, it will be important to be clear about what drives the metrics. Whether for a three-to-four-page productivity plan or for any other domain, simply obtaining data isn't enough. Understanding the data, explaining it to residents, and acting on it is ultimately what matters most.

For recent comments from the Local Government Lawyer on Simon Hoare's letter to Chief Executives and on the Times's league table see:

Government reveals guidelines for new council 'productivity plans' (localgovernmentlawyer.co.uk)

Councils cry foul after Oflog data used for Times article on 'worst-performing councils' (localgovernmentlawyer.co.uk)



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Housing and homelessness – continuing crisis and a new reform

The Levelling-Up, Housing and Communities (LUHC) Committee published a report on the finances and sustainability of the social housing sector on 29th April 2024, arguing that the Government needs to deliver 90,000 more social homes for rent each year to alleviate the "continuing chronic shortage" of social housing.

Just one day later, latest quarterly statistics on statutory homelessness and households in temporary accommodation were released. They made for sobering reading when compared with equivalent quarterly statistics from the previous year, underlining the real affect that our shortage of housing is having:

4.8% increase in overall initial assessments for homelessness year on year;

15.8% increase in households owed a relief duty this year compared to last;

15.3% increase in households owed a main homelessness duty;

12.1% increase in households in temporary accommodation;

15% increase in households with children in temporary accommodation.

For short term responses to homelessness, the February 2024 announcement that the Government would top up local authority homelessness prevention grants by £109 million will doubtless be helpful, as perhaps could be some certainty around the future of no-fault eviction laws. For a long-term solution though, addressing the supply of housing stock itself may still the best means of addressing the root cause of homelessness issues.

A new reform came into effect on the same day that homelessness statistics were published. Since 30th April, Local Authorities have been empowered to buy land for development through using Compulsory Purchase Orders without paying inflated 'hope value' costs. 'Hope value' estimates the cost land could be worth if it was developed on in the future, often meaning that Local Authorities have been forced to pay potentially thousands more to buy the land they need for housing and/ or have become entrenched in protracted disputes.

Housing and homelessness are complex areas and there is unlikely to be any quick fix solution. The new reform may help stimulate the building activity needed to address at least one part of the problem though, and in this respect is likely to be welcome.

For a full copy of the LUHC Committee report, see

The Finances and Sustainability of the Social Housing Sector (parliament.uk)

For the latest statistics on homelessness and households in temporary accommodation, see Statutory homelessness in England: October to December 2023 - GOV.UK (www.gov.uk)

For details of the new reform around hope values, see New powers for councils to help build more affordable homes - GOV.UK (www.gov.uk)

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Design for life – the smart regeneration journey to 2030

Leading think tank Localis published an analysis of local regeneration policy on 8th May 2024, making a series of recommendations to national government around how best to develop the public realm over the rest of this decade.

Localis highlighted that local regeneration projects, particularly in urban areas, are key to addressing the national housing crisis; national net zero targets; and national health aspirations.

Recommendations that the report called on national government to implement included:

- Return to strategic regional planning;
- Establish regional planning offices;
- Provide single revenue and capital budgets to Local Authorities instead of splitting the budgets;
- Stop loosening regulation over council asset sales;
- Mandate that local and regional development plans will include carbon assessments and promote urban sites;
- Provide long term financial settlements, to reduce fiscal uncertainty and encourage public-private partnership; and
- For health and wellbeing aspects of regeneration, base additional funding on demographic profiles.

Localis described local authorities as "the hinge around which regeneration actors revolve." Whilst their recommendations would require changes in national policy, there are best practice questions that Local Authorities can be asking themselves now:

- Is our planning department properly financed?
- Are our regeneration goals sufficiently balanced across housing, carbon and community health needs?
- Do we have effective ongoing relationships with partners so that we can leverage short term funds quickly when they do become available?
- Can we scale up capacity for regeneration by pooling leverage with local NHS bodies, the third sector and community organisations?

For a full copy of the Localis report, see https://www.localis.org.uk/research/design-life-smart-regeneration-journey-2030/



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Simpler Recycling – new rules to be aware of

The Department for Environment, Food and Rural Affairs (DEFRA) announced on 9th May 2024 that simpler recycling rules are going to be introduced. Local Authorities are likely to be required to comply by 2026. The new rules aim to simplify recycling processes and boost recycling rates, although they have met with significant criticism.

To be ready for compliance with the new rules, Local Authorities need to prepare for:

Standardisation:

All Local Authorities in England will be required to collect a consistent set of recyclable materials: Plastics; Glass; Metals; Paper and Card; and Food Waste. The intention is to remove uncertainty and variation around the country about what can and cannot be recycled.

A three-bin arrangement:

'Dry recycling' items such as cardboard and paper, tins and glass will be collected in one bin. Organic waste (food and garden) will be collected in a second bin. Residual (non-recyclable) waste will be collected in a third.

Weekly and fortnightly requirements:

Food waste collection will be required weekly. Local Authorities will be required to collect residual waste on a fortnightly basis, even if at present they have already successfully transitioned to a three-weekly cycle.

Critics have pointed out that mixed dry recycling may contaminate paper and lead to less of it being recycled; whilst the move away from three weekly residual waste collection in favour of a fortnightly residual waste collection is likely to reduce recycling overall. Nevertheless, the reform has been passed and Local Authorities will need to be ready. Important steps to take now are:

- Review and update the Waste Management Strategy;

- Engage with finance business partners to ensure that activity will be accurately recorded and, in turn, translated to relevant new funding claims;

- Explore whether the changes in themselves generate new income opportunities; and

- Assess the readiness of contract delivery partners.

For DEFRA's comments on the reform, see Simpler bin collections for England to boost recycling - GOV.UK (www.gov.uk)



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Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards
https://www.gov.uk/government/publications/public-sector-internal-audit-standards

Code of Audit Practice for local auditors (NAO):
https://www.nao.org.uk/code-audit-practice/

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/

The Three Lines of Defence Model (IAA)
https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf

Risk Management Guidance / The Orange Book (UK Government):

https://www.gov.uk/government/publications/orange-book

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition

Delivering Good Governance in Local Government

https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition

Financial Management Code

https://www.cipfa.org/fmcode

Prudential Code

https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition

Treasury Management Code

https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition

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Grant Thornton

Audit and Governance Committee

Date of meeting:	23 July 2024
Title of Report:	**Final Statement of Accounts 2019/20 & 2020/21**
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Service Director for Finance)
Author:	Carolyn Haynes
Contact Email:	carolyn.haynes@plymouth.gov.uk
Your Reference:	SoA 19/20 & 2020/21/Audit July 2024
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

Members formally approved the draft Statement of Accounts for 2019/20 on the 30 November 2020 and the draft Statement of Accounts for 2020/21 on the 11 October 2021.

The Statement of Accounts for 2019/20 and 2020/21 have now been audited by our external auditors and are being presented to Audit & Governance Committee for approval.

The revised Statement of Accounts for 2019/20 is attached as Appendix A and the revised Statement of Accounts for 2020/21 is attached as Appendix B.

Recommendations and Reasons

1. To **approve** the Statement of Accounts for 2019/20 attached as Appendix A and the Statement of Accounts for 2020-21 attached as Appendix B.
    a. Reason: Statutory Requirement, the Accounts and Audit Regulations 2015 require the accounts to be:
        i. Considered by committee;
        ii. Approved by committee resolution;
        iii. Signed and dated by the person presiding at the committee.
2. To **note** the amendments made to the Statement of Accounts for 2019/20 and 2020/21 as agreed with the Auditor and reported in their Audit Findings Reports for 2019/20 and 2020/21.
3. The Letter of Representation attached as Appendix C is authorised and submitted to the Auditor.

Alternative options considered and rejected

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

Relevance to the Corporate Plan and/or the Plymouth Plan

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

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

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

Financial Risks

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

Carbon Footprint (Environmental) Implications:
N/A

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:
** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*
N/A

Appendices
**Add rows as required to box below*

Ref.	Title of Appendix	**Exemption Paragraph Number** (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
		1	**2**	**3**	**4**	**5**	**6**	**7**
A	Audited Statement of Accounts 2019/20							
B	Audited Statement of Accounts 2020/21							
C	Letters of Representation for 2019/20 & 2020/21							

Background papers:

**Add rows as required to box below*

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

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

Sign off:

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Originating Senior Leadership Team member: David Northey

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

Date agreed: 11/07/2024

Cabinet Member approval: *approved by email*

Date approved: 12/07/2024

Final Statement of Accounts 2019/20 and 2020/21

1. Introduction

1.1 The draft Statement of Accounts 2019/20 were approved by the Service Director for Finance on the 31 August 2020 and the draft Statement of Accounts for 2020/21 were approved by the Service Director for Finance on the 31 July 2021.

1.2 The Statement of Accounts have now been amended and the Final Statement of Accounts for 2019/20 and 2020/21 are being presented to the Committee for approval prior to publication on the Council's website.

2. Background to the Delay in Final Publication of the 2019/20 & 2020/21 Accounts

2.1 For a wide range of reasons, there has been a significant national backlog in the publication of audited accounts in local government. The government is keen to resolve this national issue and had recently launched a consultation to clear the backlog by setting a series of statutory backstop dates up to 2027/28.

2.2 For Plymouth, our 2019/20 accounts have been the subject of on-going discussions around a pension transaction and the need for a resolution to allow the 2019/20 and 2020/21 accounts to be signed off by the auditors came to more prominence at the end of June 2023. Our external auditors required the accounting treatment to be reclassified as revenue, it was previously presented as capital. Further information is shown in the Statement of Accounts for 2019/20.

3. Changes from draft publication of the 2019/20 draft Accounts

3.1 The GT Audit Findings Report for 2019/20 was presented to the Audit and Governance Committee on the 29 September 2022. This identified a few required technical adjustments. The Final Statement of Accounts 2019/20 are attached as Appendix A.

4. Changes from draft publication of the 2020/21 draft Accounts

4.1 The GT Audit Findings Report for 2020/21 is included on the agenda for today's meeting (23 July 2024). This details the corrections and adjustments that have been made to the Statement of Accounts 2020/21. The Final Statement of Accounts for 2020/21 are attached as Appendix B.

STATEMENT OF ACCOUNTS 2019/20

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

INTRODUCTION

This statement summarises the Council's financial performance during 2019/20 showing expenditure for all services during the year and the Council's financial position as at 31 March 2020.

It should be noted that this is an updated version of the draft 2019/20 accounts, replacing the version of the draft accounts that were published in August 2020 on the Council's website.

BACKGROUND

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

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

The draft accounts for 2019/20 have needed to be revised prior to the external audit being completed by Grant Thornton. The original accounting treatment was as a capital transaction; our auditors have advised we needed to reflect the transaction as a revenue transaction. The revenue treatment meant that the Council's income for 2019/20 was insufficient to meet its expenditure. Due to this change in accounting treatment, it has been necessary for the Council to request a retrospective Capitalisation Direction from the Department for Levelling Up, Housing and Communities (DLUHC). This support is provided via the Exceptional Financial Support Framework which has been agreed in principle. The Capitalisation Direction will permit the Council to meet the revenue cost through capital resources. The draft accounts for 2020/21, 2021/22, 2022/23 and 2023/24 will also need to be revised to reflect the change in accounting for this transaction. The revised statements will be presented to the Audit and Governance Committee at the earliest opportunity. There is on-going national dialogue about the backlog of unaudited accounts and how to resolve the situation. For Plymouth this means we are awaiting further guidance on 2022/23 and the recently published 2023/24 Accounts.



With the required amendments now actioned and agreed with our external auditors, I am pleased to re-present our Annual Financial Report and Statement of Accounts for 2019/20. The Narrative Report provides me with an opportunity to set the financial scene and to highlight the financial challenges currently being faced by the Council as it strives to continue to provide high quality services to Plymouth residents with diminishing financial resources. The Statement of Accounts aim to not only present the Council's outturn financial position for 2019/20, but also to provide a summary of Plymouth City Council's financial affairs for the 2019/20 financial year and of our financial position as at 31 March 2020.

Returning to the request to DLUHC for a Capitalisation Direction, why have we been required to rewrite the draft accounts and what does it mean for this and future years?

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

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

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

What does this mean?

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

(i) *Has the authority appropriately ring-fenced revenue reserves where it is statutorily required to?* Yes, we have ring-fenced as required.

(ii) *Has the authority released all non-ringfenced voluntarily earmarked reserves and disclosed these movements?* The deficit position reflects the requirement to charge the £72m transaction to revenue, rather than capital. We have taken the approach, as agreed with our external auditors, to make this retrospective change to one reserve balance only, namely the "working balance". From a previous positive balance of £8.045m reported in the 1st set of Draft Accounts, we are now showing a negative balance of £65.330m. This is considered the cleanest way to show this transaction, given that there is an expectation that the Capitalisation Direction will be applied in 2024/25 and the £72m will again revert to the balance sheet as a capital transaction. The movement has been fully documented.

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

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

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

The Finance Service is continually reviewing and improving its processes and procedures. For the 2019/20 accounts process, they have taken on board all of the recommendations and comments made by the External Auditor as part of the 2018/19 accounts audit. This year has been particularly challenging as all members of the Finance Service have had to work from home as a result of the national lockdown. This coincided with the end of the financial year, providing COVID-19 financial support to local businesses and local Plymouth services and the critical time for finalising the Statement of Accounts.

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

THE PLYMOUTH PLAN 2014 - 2034

WHAT WE WANT TO ACHIEVE...

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

HEALTHY CITY
People live in happy, healthy, safe and aspiring communities

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

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

HOW WILL WE KNOW WE'RE SUCCESSFUL?

Plymouth is recognised as a **key regional economic** driver	People get the **best start to life,** enjoy a better quality of life and increased life expectancy	Plymouth's population has grown to more than **300,000**	Plymouth offers a diverse **cultural experience** with a major events programme
Plymouth has **high quality strategic** services and facilities	More people are taking care of themselves or **finding care** within their community	Plymouth continues to be recognised as a **leading Green City**	Plymouth is internationally renowned as a leading UK **tourist destination**
The quality and resilience of Plymouth's **transport and digital connectivity** has improved	More residents are contributing to and **involved in their community**	Plymouth has more vibrant, productive and **innovative businesses**	Plymouth is recognised internationally for **marine science** and high technology manufacturing
Plymouth's strategic **defence role** has been safeguarded and strengthened	There is **good quality health** and social care for people who need it	People have the skills to be **school ready and work ready** to meet the needs of the city	Plymouth has a reputation for **world class universities** and research institutions
Plymouth's stunning setting and **natural assets** have been enhanced	Plymouth has good quality neighbourhoods where people feel **safe and happy**	Plymouth has the right environment for **growth and investment**	Plymouth has a reputation as a **welcoming and multicultural city** with diverse communities

WHAT PRINCIPLES WILL GUIDE US?




THE PLYMOUTH PLAN 2014 - 2034
TO TAVISTOCK
A386
DERRIFORD AND NORTHERN CORRIDOR GROWTH AREA
DARTMOOR
TAMAR BRIDGE
SALTASH
A38
CITY CENTRE AND WATER FRONT GROWTH AREA
A374
TORPOINT
RAILWAY STATION AREA OF SEARCH
EASTERN CORRIDOR GROWTH AREA
A379
BRIXTON
KEY
Hospital
Sports hub
Improving health inequalities
Port
Transport capacity
Sustainable transport
Train Station
Coach Station
Park and Ride
Transport quality gateway
Transport connectivity
University
Primary school
Countryside/Community Park
European Marine Site
District heating
Housing
Ocean City
City Centre
District Centre
Strengthening communities
Visitor economy
Minerals
Distribution
Business/energy park
Marine industries
Dockyard
Offices
Knowledge industries
Medical sector
Utilities infrastructure
Heritage assets
Cultural hub
Events
Waste recycling
Local Centre
Community safety
Urban fringe
live within 400m of a bus stop
population of 300,000
JOBS
20,400 new jobs (Plymouth and SW Devon)
1,001 days best support at the start of child's life
0.15 hectare per 1,000 people of allotments/ community food growing space
less than 2% of our waste going to landfill
0.79 hectare per 1,000 people of playing pitch
4,550 new affordable homes
400m to nearest accessible natural space
800m to nearest primary school
400m walking distance to nearest local play space
800m to nearest convenience store
243,000 sqm of employment space
reduce carbon emissions by 50%
25Mbps to all premises access of broadband
1 hectare (nearly 2 football pitches) of nature reserve per 1,000 people
19,000 new homes
www.theplymouthplan.co.uk
in association with the Plymouth & South West Devon Joint Local Plan
www.plymswdevonplan.co.uk

OUR PLAN
A CITY TO BE PROUD OF

PLYMOUTH CITY COUNCIL

CITY VISION
Britain's Ocean City

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

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

OUR VALUES

WE ARE DEMOCRATIC
We will provide strong community leadership and work together to deliver our common ambition.

WE ARE RESPONSIBLE
We take responsibility for our actions, care about our impact on others and expect others will do the same.

WE ARE FAIR
We are honest and open in how we act, treat everyone with respect, champion fairness and create opportunities.

WE ARE CO-OPERATIVE
We will work together with partners to serve the best interests of our city and its communities.

OUR PRIORITIES

A GROWING CITY
- A clean and tidy city
- An efficient transport network
- A broad range of homes
- Economic growth that benefits as many people as possible
- Quality jobs and valuable skills
- A vibrant cultural offer
- A green, sustainable city that cares about the environment.

A CARING COUNCIL
- Improved schools where pupils achieve better outcomes
- Keep children, young people and adults protected
- Focus on prevention and early intervention
- People feel safe in Plymouth
- Reduced health inequalities
- A welcoming city.

HOW WE WILL DELIVER

Listening to our customers and communities. | Providing quality public services. | Motivated, skilled and engaged staff. | Spending money wisely. | A strong voice for Plymouth regionally and nationally.

Plymouth
Britain's Ocean City

www.plymouth.gov.uk/ourplan

AIMS, OBJECTIVES AND ACHIEVEMENTS

The Statement of Accounts should be read in conjunction with the Council's Corporate Plan and Corporate Plan Performance Report which is focused on our mission to 'make Plymouth a fairer city, where everyone does their bit'. That means everyone working together towards our shared ambition to be a growing city and a caring Council. Our Corporate Plan 2018 to 2022 has a greater emphasis on ensuring Council decisions are driven by our shared values and priorities. We want to explore new ways of working and making the best use of our assets as we balance the books.

PLYMOUTH CITY COUNCIL DEMOCRACY AND GOVERNANCE

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

The Council is made up of 57 councillors for 20 wards. The political make-up of the Council during 2019/20 was:

- Labour Party – 30 Councillors
- Conservative Party – 25 Councillors
- Independent – 2 Councillors

The Council is controlled by the Labour Party and has adopted the 'Strong' Leader and Cabinet model as its political management structure. The Leader of the Council (Cllr Tudor Evans OBE) has responsibility for the appointment of Members of the Cabinet (also known as the Executive), the allocation of Portfolios and the delegation of executive functions. The Cabinet is the main decision making body of the Council. It is responsible for policies, plans and strategies, which must be implemented within the budgetary and policy framework adopted by Full Council. The Council elects the Leader each year at the Annual General Meeting (usually held in May).

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

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

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

Plymouth – Britain's Ocean City

Plymouth City Council is a unitary local authority responsible for over 300 local services including transport, social care and education. With a resident population of 263,100 (2017) and a further 100,000 residents in the travel to work area, Plymouth is the largest city on the South coast and the 15th biggest city in the country. Plymouth is also the most significant urban area on the south west peninsular with an economic output of £5.2 billion, supporting 107,800 jobs and is the key urban hub of the Heart of the South West Enterprise Partnership making it a key location for growth. The city

has the highest concentration of manufacturing and engineering employment in the whole of the South of England. 20% of the UK's blue–tech marine companies are based here.

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

Regional Influence

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

Future Vision

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

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

COVID-19 Pandemic

The COVID-19 pandemic has had a considerable impact on the city and the Council. Some of the impact was seen towards the end of the 2019/20 financial year. However, in 2020/21 the Council is expecting to incur significant increased costs as well as a drop in its income due to the closure of many of the Council's car parks and other facilities. The impact of COVID-19 would have been felt far more if the Council had not embarked on their ambitious The Way We Work (TWWW) programme. Staff were able in the main to work from home as soon as the Country's lockdown commenced and key Council services were able to continue uninterrupted to the benefit of Plymouth businesses and residents.

Challenges

Whilst the city has the potential to drive increased productivity and make a greater contribution to UK plc, this does not come without its challenges. Connectivity is the key challenge for the city, in terms of rail and road infrastructure. Improving skills, particularly in Science, Technology, Engineering

and Mathematics (STEM) subjects, to grow, keep and attract a skilled workforce now and in the future is also a critical challenge.

It is recognised that in the current environment of reduced government funding this will put additional pressure on key Council services like refuse collection, street cleaning, schooling and social care, both children's and adults', and to be successful we'll all need to think and work differently. We are currently delivering an unprecedented transport programme of over £150m. In 2019/20 we completed work on improvements to one of the City's most stressed junctions at Charles Cross and work to create the new Forder Valley link road is now well underway.

Mayflower 400 and 'The Box'

The Box is Plymouth's new £46m cultural destination proudly led by Plymouth City Council. With funding secured from the City Council, the Heritage Lottery Fund and Arts Council England, The Box aspires to deliver an ongoing programme of international significance. The opening of The Box is the most significant cultural initiative in the UK in 2020. The galleries, collections and archives, which make up The Box are also flagship projects of the Mayflower 400 commemorations. The original City Museum and Art Gallery have been completely transformed and extended to combine the original Edwardian building with the former City Library and St Luke's church. The Box also features a striking elevated 'archive in the sky' with research and learning facilities, along with a major new public square for gigs, performance, theatre and events. Six outstanding national collections, over two million artefacts, archives, film, photographs, figureheads, the Mayflower and a mammoth form part of this exciting new venue. Unfortunately, the majority of events planned to celebrate the Mayflower 400 and the opening of The Box have been delayed due to the COVID-19 pandemic and this will impact on the ambitious income projections which formed part of the project.

Transforming Service Delivery

In April 2019 we moved into the sixth year of our successful transformation journey. This has enabled Plymouth City Council to deliver over £108m of budget savings and efficiencies in the last six years.

The Council embarked on 'The Way We Work' (TWWW) programme in December 2017, which completed in August 2019. The 'Workforce Modernisation Programme' has evolved from TWWW and has been designed as a two tranche programme to be delivered July 2019 to March 2022.

The Workforce Modernisation Programme's vision is:

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

In order to deliver against its vision the Workforce Modernisation Programme has been set-up and planned to deliver across the four key themes of 'How We Work', 'Employee Offer', 'Structures and Frameworks' and 'Technology'.

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

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

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

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

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

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

Our priorities include:

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

Resurgam – COVID-19 Economic Recovery Plan

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

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

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

The Council's Performance

The Plymouth City Corporate Plan 2018-22 sets out our mission of 'making Plymouth a fairer city, where everyone does their bit'. This was approved by Council in June 2018. The Corporate Plan priorities are delivered through specific programmes and projects which are coordinated and resourced through cross-cutting strategic plans, capital investments and directorate business plans. The key performance indicators (KPIs) and their associated targets are monitored quarterly to inform us on how we are doing in delivering what we have set out to achieve in the Corporate Plan. We have continued to transform how we deliver services to ensure they are more efficient and better focused on customer needs. This includes working in new ways, joining services up with our partners and maximising the opportunities from digital technology.

In very difficult financial circumstances we continue to retain and improve our core services. For example during 2019/20 we have:

- ✓ Prevented 288 households from becoming homeless;
- ✓ 824 businesses were supported through various programmes in 2019/20;
- ✓ 990 'Families with a Future' achieving significant change and sustained progress against specified concerns or a pathway into employment;
- ✓ Rolled out nearly 1,715 IT devices as part of 'The Way We Work' programme;
- ✓ Reported that 97.5% of principal roads are in a good or acceptable condition;
- ✓ Spend with Small, Medium Enterprises (SME's) equated to 26.1% of total spend in 2019/20;
- ✓ Reduced the percentage of repeat referrals to Children's Social Care to 25.5% in 2019/20 when compared with the 32.4% percentage of repeat referrals in 2018/19.

FINANCIAL PERFORMANCE

Devon Business Rates Pool

The Devon Business Rates Pool (DBRP) has been operating since April 2013 and each year the pool has delivered a pool gain to its members. The table shown below demonstrates the benefit to pool members for each financial year since 2013 when Business Rate Retention first came in. As can be seen from the table Plymouth has benefitted from an additional £7.123m and the Devon economy has benefitted overall by £43.008m since the pool's inception.

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

Devon Business Rate Pooling Gains 2013 to 2019								
Business Rate Retention Scheme	**2013/14 50%**	**2014/15 50%**	**2015/16 50%**	**2016/17 50%**	**2017/18 50%**	**2018/19 100% Pilot**	**2019/20 50%**	**Total**
	£	£	£	£	£	£	£	£
Devon	361,632	755,736	657,061	856,728	1,383,502	15,306,012	2,228,157	21,548,828
East Devon	50,298	105,113	95,374	124,356	204,928	1,669,512	315,779	2,565,360
Exeter	112,632	235,377	214,202	279,293	443,865	961,211	682,088	2,928,668
Mid Devon	26,591	55,569	50,145	65,383	107,621	195,650	166,760	667,719
North Devon	51,962	108,589	98,447	128,363	206,831	658,941	319,050	1,572,183
South Hams	49,046	102,497	0	0	0	460,047	308,947	920,537
Teignbridge	51,275	107,155	96,995	126,470	205,035	480,085	316,768	1,383,783
Torridge	21,356	44,629	40,066	52,241	89,908	382,617	139,918	770,735
West Devon	19,695	41,159	37,138	48,424	83,235	270,162	128,901	628,714
Plymouth	311,068	650,067	575,475	750,350	1,204,222	1,727,204	1,904,143	7,122,529
Torbay	154,435	322,737	284,475	370,922	580,334	263,329	922,674	2,898,906
Total	**1,209,990**	**2,528,628**	**2,149,378**	**2,802,530**	**4,509,481**	**22,374,770**	**7,433,185**	**43,007,962**

Strategy and Resource Allocation – The Council's Budget and Medium Term Financial Plan 2020/21 to 2022/23

The Council's gross revenue budget for 2019/20 was £501.368m, which after adjusting for income equates to a net budget requirement of £185.483m. This was approved by Full Council on the 25 February 2019 and included £13.568m of increased pressures in 2019/20 due to reductions or insufficient increases in government grant funding. The budget was developed following input and reviews with Directors and other officers and Members, including Cabinet. The budget was formulated having regard to a number of factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures. The savings plans included in the budget take into account Council priorities and are assessed against an agreed set of impact criteria and equality assessments. Budget monitoring and scrutiny arrangements were in place throughout the year, which included arrangements for the identification of early remedial action supported by a clear action plan, reporting and regular monitoring.

A summary of the overall budget position is shown below, which includes the Medium Term Financial Plan for the next three years (2020/21 to 2022/23). The Medium Term Financial Plan is integral to the Budget Preparation process and is regularly reported to Members as part of the budget updates through the year:

Medium Term Financial Plan	Budget		Forecast	
	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
Revenue Resources Available	**185.482**	**193.677**	**184.461**	**191.241**
Baseline spend requirement	185.556	185.482	188.791	184.461
Plus identified additional costs	17.395	21.069	10.460	9.139
Overall Spend Requirement	**202.951**	**206.551**	**199.251**	**193.600**
Total Funding Gap Before Savings	**(17.469)**	**(12.874)**	**(14.790)**	**(2.359)**
Savings	9.798	7.974	(0.620)	0.345
Income generation	1.946	0.725	1.090	0.303
Grant income	5.725	4.175	(6.468)	(0.398)
Total Savings	**17.469**	**12.874**	**(5.998)**	**0.250**
Revised Spending for Year	**185.482**	**193.677**	**205.249**	**193.350**
Budget Gap	**0.000**	**0.000**	**20.788**	**2.109**

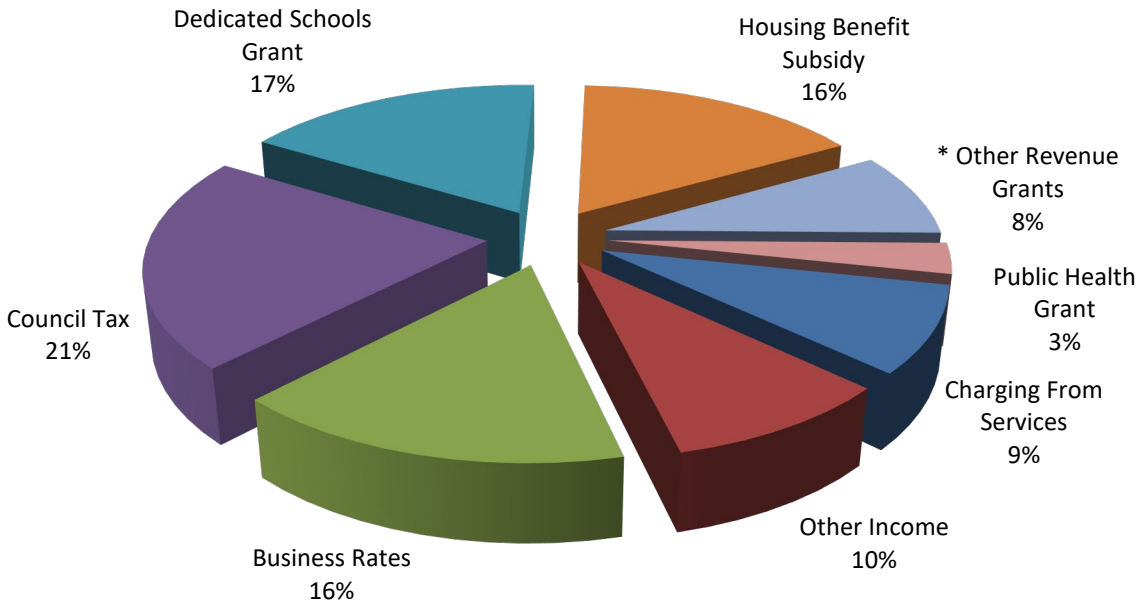
Before COVID-19 the Council already faced a significant financial challenge over the medium term. The government had announced that a full multi-year spending review would take place in 2020 and there were a number of other changes planned that would impact on the Council's main funding sources:

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

All of this has now been put on hold due to the unknown mid to long-term impact of the COVID-19 pandemic. This means that there is currently very little indication of the level of funding Local Authorities can expect to receive for 2021/22 and beyond. This uncertainty, when combined with the direct financial impact of the pandemic on the Council with falling revenue income from Council Tax, Business Rates and other fees and charges. Financial planning for the medium term is extremely difficult.

A breakdown of the main sources of income for the Council is shown in the following chart:

2019/20 Revenue Income Sources



**Other Revenue Grants – this includes grants from the Home Office, PFI Credits, the Ministry of Housing, Communities and Local Government (MHCLG), the Office of the Director of Public Health (ODPH) and a variety of other sources of grant funding.*

2019/20 Revenue Outturn

The finance outturn position, prior to the adjustments for the pension transaction, showed a small overspend of £0.005m. The outturn position needs to be considered in the context of a challenging financial climate and the continuation of the Government's austerity programme with respect to public finances. In 2019/20 the Council has managed a savings programme in excess of £17m in addition to increasing service demands and customer expectations.

The net revenue budget of £185.483m was allocated to council services as follows:

Directorate	2019/20 Gross Expenditure	2019/20 Gross Income	2019/20 Council Approved Net Budget	2019/20 Outturn	Year End Over/ (Under) Spend
	£m	£m	£m	£m	£m
Executive Office	6.450	(0.590)	5.860	5.859	(0.001)
Corporate Items	9.566	(20.576)	(11.010)	(13.175)	(2.165)
Finance	22.139	(5.051)	17.088	17.374	0.286
Customer and Corporate Services	96.991	(81.248)	15.743	16.554	0.811
People Directorate	265.178	(131.327)	133.851	133.895	0.044
Office for the Director of Public Health	18.572	(19.019)	(0.447)	(0.558)	(0.111)
Place Directorate	82.472	(58.074)	24.398	25.539	1.141
Total	**501.368**	**(315.885)**	**185.483**	**185.488**	**0.005**

Working Balance

The Working Balance as at 31 March 2020 after the adjustments for the transaction of £73.375m is a negative balance of £65.330m (prior to these adjustments the Council's Working Balance was £8.045m). It is expected that the Working Balance will return to this level once the Capitalisation Direction is awarded. The Working Balance has a recommended minimum set at 5% of the net revenue budget. This minimum requirement has been approved by Council. However, due to the

continued budget pressures in 2019/20, the Council has had to make further use of its Working Balance.

Other Financial Performance

In addition to the financial outturn reports within this report there were a range of other significant performance achievements which have contributed to the year-end position. In-year collection targets are set for our Council Tax, Business Rates, Commercial Rents, and Sundry Debt Income including our Trade Waste Income. The 2019/20 revenue budget was based on the achievement of the required targets.

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

Some Key Indicators are:

- 96.44% of Council Tax collected in year for 2019/20 towards the total collection target of 98.0% (96.78% in 2018/19).
- 98.97% of NDR collected in year for 2019/20 towards the total collection target of 98.0% (98.6% in 2018/19).
- Average borrowing rate of 1.89% was achieved below target of 2.80% (2.18% in 2018/19). This equates to a notional £5.189m saving.
- Average investment return of 2.11% was achieved against target of 1.5% (1.77% in 2018/19). This equates to a £0.572m return.
- VAT partial exemption at 4.27% against a limit of 4.99% (4.31% in 2018/19).

Capital

During the year 2019/20 the Council spent £196.180m on capital projects within the city. This is shown by Directorate in the following table. This is within the approved Capital Budget of £892.911m reported to Full Council in February 2020.

Directorate	Latest Forecast December 2019	Re-Profiling	Approvals Post December	Variations and Virements	2019/20 Outturn	Spend Variance
	£m	£m	£m	£m	£m	%
Place Directorate	159.559	(59.750)	11.045	(2.489)	108.365	67.9
People Directorate	7.879	(2.453)	0.856	0.024	6.306	80.0
Customer and Corporate Services	112.711	(34.296)	0.222	(0.021)	78.616	69.8
Office for the Director of Public Health	6.423	(3.930)	0.000	0.000	2.493	38.8
Capital programme	**286.572**	**(100.429)**	**12.123**	**(2.486)**	**195.780**	**68.3**
Efficiency Strategy	0.000	0.000	0.400	0.000	0.400	
Total capital programme	**286.572**	**(100.429)**	**12.523**	**(2.486)**	**196.180**	

The 2019/20 programme outturn of £196.18m has enabled investment in some notable capital schemes, including:

- £50.073m Asset Investment acquisitions including:
  - Carkeel Retail Park;

  - Car Dealerships Showrooms
  - Langage Business Park;
  - Next;
- £73.375m Purchase of shares;
- £5.897m Forder Valley Link Road and Interchange;
- £4.976m Charles Cross Roundabout Improvements;
- £13.688m for the redevelopment of the City Museum and Library into 'The Box';
- £6.943m Highway maintenance and essential engineering;
- £4.991m Community neighbourhoods, parks and public realm;
- £1.898m of Basic Need works in Plymouth Schools to allow for an increase in pupils;
- £2.446m for Disabled Facilities Grants;
- £1.999m maintaining corporate and heritage assets
- £2.451m ICT provision, upgrading and creating new capabilities for ICT infrastructure.

Capital Funding 2020-25

The latest capital programme is summarised as follows:

Directorate	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	Total
	£m	£m	£m	£m	£m	£m
Place Directorate	165.974	29.986	19.160	7.884	0.664	223.668
People Directorate	3.647	0.182	0.172	0.000	0.000	4.001
Customer and Corporate Services	8.186	29.000	0.000	0.000	0.000	37.186
Office for the Director of Public Health	8.774	0.195	0.000	0.000	0.000	8.969
Total	**186.581**	**59.363**	**19.332**	**7.884**	**0.664**	**273.824**

Cash Flow Management

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

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

Cash and short term investment holdings at 31 March 2020 were £50.9m and are held to meet the Council's capital financing and cash flow requirements while obtaining a return on these investments. The Council also uses short term borrowing from other local authorities to meet some of the funding of the Council's ambitious capital programme. As at 31 March 2020 the Council held £468.2m short term borrowing and £135.1m long term borrowing which is within the Council's approved limits.

Balance Sheet Position

The Council's Balance Sheet position is as follows:

Position	Restated Balance as at 31 March 2019	Balance as at 31 March 2020
	£000	£000
Non-current assets - principally land, buildings and equipment used to deliver council services	1,092,484	1,217,816
Net current assets - current assets less current liabilities	(257,826)	(467,605)
Long term liabilities and provisions (including pensions) see points 1 and 2	(939,274)	(820,224)
Net liabilities	**(104,616)**	**(70,013)**
Represented by:		
Usable reserves (see point 3)	57,535	(13,705)
Unusable reserves	(162,151)	(56,308)
Total reserves	**(104,616)**	**(70,013)**

1. The Council's largest balance sheet liability is represented by £455.3m for pension liabilities. This includes a provision for the pension guarantee for Livewell Southwest and DELT for the service deficit attributable to service up to the transfer date. The liability has reduced significantly in 2019/20 as the Council paid £72m to Devon LGPS to reduce the Council's long-term pension liability. The treatment of the pension transaction as capital has been rejected by our auditors. The Council has now restated the transaction as revenue and has applied to Government for a Capitalisation Direction to capitalise the revenue costs as capital. The Council has a number of liabilities at the year-end for which it has made provision. The most significant of which are:
   - The provision for Chelson Meadow which is a closed landfill site. The provision of £9.3m has been calculated on the future maintenance costs over the next 50 years and is reviewed each year;
   - In addition, the Council has set aside a provision for business rate appeals of £1.889m (£2.530m at 31 March 2019). This has decreased due to the number of successful appeals over the last couple of years.
2. Usable reserves are currently split between those earmarked for capital investment and those allocated to revenue support and service development. Usable reserves also include £2.62m held on behalf of schools and due to the accounting changes to the pension transaction, a negative £65.330m general fund working balance. Prior to the changes applied for the pension transaction, the working balance was £8.045m which represented 4.4% of the net cost of services.
3. The Council holds a number of unusable reserves, the majority of which are required to be held for statutory reasons and some which are needed to comply with proper accounting practice. A further breakdown of unusable reserves is found in the Notes to the Financial Statements section of the Statement of Accounts.

FINANCIAL MANAGEMENT AND IDENTIFYING RISKS

The Finance Service strives to continuously improve its procedures and processes and in preparing for the 2019/20 Statement of Accounts have taken on board comments and recommendations from the 2018/19 Statement of Accounts audit undertaken by Grant Thornton.

The Finance Service provides a high quality financial management service for the Council. In addition to the statutory reporting function for the Statement of Accounts, a key task is financial planning over a three year medium term timescale. Alongside budget preparation, the ability to look strategically

beyond the current budget period is crucial to supporting the Council's long-term financial sustainability and resilience. Given the current level of uncertainty, the unknown impact of Brexit and the ongoing widespread pressures on revenue budgets, it is essential that the Finance Teams are planning effectively for the future.

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

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

These documents are continually updated and reviewed on a quarterly basis. The MTFP is wide ranging and includes estimates of future income and expenditure. It allows the Finance team to balance the financial implications of the Council's Corporate Plan, service objectives and policies with the constraints in resources. This year's budget (2019/20) and the modelling for future years budgets were prepared before the impact of the COVID-19 pandemic and they will be revisited in 2020/21 to determine what action needs to be taken to balance the budget.

The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have published revised guidance and an updated Prudential Code to cover local authorities who invest in properties to obtain an income. The Council's Asset Investment Fund has been set up to invest in commercial properties to increase its revenue income.

Risk Management

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

Risk	Link to Corporate Plan	Impact	Mitigation
Financial			
Delivering Council services within the envelope of the resources provided in 2019/20-20/22 Medium Term Financial Strategy	Spending Money Wisely	Risk to services not delivering within reduced budgets and to delivery of the Plymouth Plan from reduced revenue and funding of the Capital Programme	Progress reported monthly to Cabinet, Audit and Governance Committee and Chief Internal Auditor oversee the financial reporting process, continued member engagement in Budget process and MTFP setting process
Being unable to deliver Council services within the envelope of the resources provided in 2018/19	Spending Money Wisely	Risk to services not being delivered, negative impact on budgets, loss of reputation, negative impact on front line services and negative opinion from external audit	Progress reported monthly to Cabinet, higher profile of Council's finances at CMT and Cabinet, Audit and Governance Committee and Chief Internal Auditor oversee the financial reporting process, continued member engagement in Budget process and MTFP setting process, Portfolio member setting out areas of responsibility and savings targets and efficiencies, Portfolio Holders undertaking line-by-line reviews of budgets

Risk	Link to Corporate Plan	Impact	Mitigation
Reputational			
Failing to, or inability to understand impacts of Brexit	Providing Quality Public Services	Reputational risk if Council is unable or has limited capacity to manage change and deliver objectives	Brexit specific risk register, business continuity group, attendance at local and regional events, Member scrutiny, regional engagement work - LEP
Compliance, Regulation and Safeguarding			
Reduction in the quality of education provision negatively affecting level of pupil attainment	A Caring Council	Negative impact on children's attainment due to the quality of education provision	Ofsted inspection, Education and Children's Social Care Overview and Scrutiny Committee

LOOKING FORWARD

The Medium Term Financial Plan is updated quarterly and the budget report presented to Cabinet on 26 February 2020 sets out the national context for large reductions in local government funding and the Local Government Finance Settlement.

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

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

STATEMENT OF ACCOUNTS 2019/20

The Statement of Accounts which follow, set out the Council's income and expenditure for the year and its financial position as at 31 March 2020. The format and content of the statements is prescribed by CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. This is based on International Financial Reporting Standards (IFRS) adapted for use in a public sector context. The Statement of Accounts comprises:

Statement of Responsibilities for the Statement of Accounts	This sets out the respective responsibilities of the Council and the Chief Finance Officer (Service Director for Finance).
Auditor's Report	This gives the auditor's opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.
Core Financial Statements:	
Comprehensive Income and Expenditure Statement (CIES)	This shows the net cost of providing services in accordance with generally accepted accounting practices. The Expenditure Funding Analysis (note 8) compares the CIES with levels of income and expenditure which are taken into account when setting the annual budget and council tax since certain amounts are disregarded by statute.

Core Financial Statements:	
Balance Sheet	The Balance Sheet shows the Council's assets and liabilities at the year end. Net assets are matched by reserves which may be 'usable' or 'unusable'.
Movement in Reserves Statement (MIRS)	This shows the movements in reserves during the year, analysed into the different funds held by the Council and classified as either 'usable' reserves which can be used to fund future expenditure or 'unusable' reserves which are maintained to meet specific statutory responsibilities.
Cash Flow Statement	This financial statement shows how changes in Balance Sheet accounts and income affect cash and cash equivalents, it breaks the analysis down to operating, investing and financing activities.
Supplementary Statements and Notes:	
Collection Fund	This account demonstrates how income raised from local taxpayers has been redistributed to the Council and other precepting authorities for the provision of services.
Statement of Accounting Policies	Sets out the accounting policies that have been followed in preparing the accounts and how the Code requirements have been met in practice.
Disclosure Notes	These provide more detail about individual transactions and balances.

ANNUAL GOVERNANCE STATEMENT

The Code also sets out the statutory requirement, under the Accounts and Audit (England) Regulations 2015, for every local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and to include a statement reporting on the review with the Statement of Accounts. This review takes the form of the Annual Governance Statement (AGS).

The AGS was reported to and approved by the Audit Committee on the 21 September 2020. This can be found on the Council's website.

CONCLUSION

The formal audit of the Draft Statement of Accounts commenced on 7 September 2020, and in line with our statutory duty we made our accounts available for scrutiny by interested members of the public from 1 September to 10 October 2020.

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

a) any person interested may inspect and make copies of the accounts to be audited.

b) a local government elector for the area may question the auditor about the accounts and object to any items of unlawful expenditure, loss due to wilful default, failure to bring a sum of income into account, or any other matter of public interest. Persons wishing to question the auditor should do so by prior arrangements by contacting 0207 728 3180.

c) if any elector intends to object they must give the auditor prior written notice of any objection and its grounds and send a copy of the notice to the City Council.

Further information is available:

- on the Council's website or
- from Carolyn Haynes, Head of Finance, Ballard House West Hoe Road, Plymouth PL1 3BJ, telephone 01752 398927, email corporateaccountancy@plymouth.gov.uk

David Northey
Service Director for Finance and Section 151 Officer
Ballard House
West Hoe Road
Plymouth
PL1 3BJ

Dated:

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council is Required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Service Director for Finance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

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

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

In preparing this statement of accounts, the Service Director for Finance has:

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

The Service Director for Finance has also:

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

In signing these accounts, the Service Director for Finance confirms that these statements give a 'true and fair' view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year ended 31 March 2020.

David Northey
Service Director for Finance and Section 151 Officer
Ballard House
West Hoe Road
Plymouth
PL1 3BJ

Dated:

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Restated 2018/19 Gross Expenditure	Restated 2018/19 Gross Income	Restated 2018/19 Net Expenditure		Note	2019/20 Gross Expenditure	2019/20 Gross Income	2019/20 Net Expenditure
£000	£000	£000			£000	£000	£000
7,105	(972)	6,133	Executive Office		8,140	(1,550)	6,590
3,662	(15,101)	(11,439)	Corporate Items		89,946	(102,247)	(12,301)
19,946	(2,734)	17,212	Finance		17,661	(2,848)	14,813
110,234	(93,203)	17,031	Customer and Corporate Services		99,714	(79,264)	20,450
271,960	(123,478)	148,482	People Directorate		283,435	(127,246)	156,189
20,214	(19,695)	519	Public Health		19,754	(19,600)	154
97,000	(40,991)	56,009	Place Directorate		103,059	(43,472)	59,587
530,121	**(296,174)**	**233,947**	**(Surplus)/Deficit on Continuing Operations**		**621,709**	**(376,227)**	**245,482**
21,059	(2,863)	18,196	Other Operating Expenditure	12	1,031	(2,062)	(1,031)
53,012	(20,763)	32,249	Financing and Investment Income and Expenditure	14	59,057	(39,891)	19,166
0	(220,042)	(220,042)	Taxation and Non-specific Grant Income	15	0	(202,239)	(202,239)
604,192	**(539,842)**	**64,350**	**(Surplus)/Deficit on Provision of Services**		**681,797**	**(620,419)**	**61,378**
		(62,425)	(Surplus)/deficit on Revaluation of Non-current Assets	23.1			(45,626)
		(35,639)	Re-measurement of the Net Defined Benefit Liability (Assets)	23.4			(49,409)
		0	Other recognised (gains)/losses				(946)
		(98,064)	**Other Comprehensive Income and Expenditure**				**(95,981)**
		(33,714)	**Total Comprehensive Income and Expenditure**				**(34,603)**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance and Balance movements in the year following those adjustments.

Movement in Reserves Statement	Note	General Fund Balance	Earmarked General Fund	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2018		**9,168**	**25,742**	**34,910**	**18,252**	**6,574**	**59,735**	**(192,061)**	**(132,325)**
Movement in Reserves 2018/19									
Prior period adjustment to CAA		0	0	0	0	0	0	(6,004)	(6,004)
Restated total Comprehensive Income and Expenditure		(64,350)	0	(64,350)	0	0	(64,350)	98,064	33,714
Restated adjustments between accounting basis and funding under regulations	11	62,160	0	62,160	(3,033)	3,022	62,149	(62,149)	0
Net Increase/(Decrease) Before Transfer to Earmarked Reserves		**(2,190)**	**0**	**(2,190)**	**(3,033)**	**3,022**	**(2,201)**	**29,911**	**27,710**
Transfer (to)/from reserves	13	1,073	(1,073)	0	0	0	0	0	0
Net Increase/(Decrease) in 2018/19		**(1,117)**	**(1,073)**	**(2,190)**	**(3,033)**	**3,022**	**(2,201)**	**29,911**	**27,710**
Balance at 31 March 2019		**8,051**	**24,669**	**32,720**	**15,219**	**9,596**	**57,535**	**(162,151)**	**(104,616)**
Movement in Reserves 2019/20									
Total Comprehensive Income and Expenditure		(61,378)	0	(61,378)	0	0	(61,378)	95,981	34,603
Adjustments between accounting basis and funding under regulations	11	(12,615)	0	(12,615)	1,028	1,725	(9,862)	9,862	0
Net Increase/(Decrease) Before Transfer to Earmarked Reserves		**(73,993)**	**0**	**(73,993)**	**1,028**	**1,725**	**(71,240)**	**105,843**	**34,603**
Transfer (to)/from reserves	13	612	(612)	0	0	0	0	0	0
Net Increase/(Decrease) in 2019/20		**(73,381)**	**(612)**	**(73,993)**	**1,028**	**1,725**	**(71,240)**	**105,843**	**34,603**
Balance at 31 March 2020		**(65,330)**	**24,057**	**(41,273)**	**16,247**	**11,321**	**(13,705)**	**(56,308)**	**(70,013)**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

BALANCE SHEET AS AT 31 MARCH 2020

The Balance Sheet shows the value of the assets and liabilities recognised by the Council as at the Balance Sheet date. The net assets of the Council are matched by the reserves held. Usable reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). Unusable reserves are those that the Council is not able to use to provide services, including reserves that hold unrealised gains and losses (for example the Revaluation Reserve), and reserves that hold timing differences shown in the Movement in Reserve Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2019	Restated 31 March 2019		Note	31 March 2020
£000				£000
797,961	796,513	Property Plant and Equipment	16	852,443
27,271	46,794	Heritage Assets	17	48,290
197,732	197,732	Investment Property	18	254,440
23	23	Intangible Assets		15
40,497	40,497	Long-term Investments	19.1	51,037
10,925	10,925	Long-term Debtors	20.2	11,591
1,074,409	**1,092,484**	**Non-current Assets**		**1,217,816**
17,008	17,008	Short-term Investments	19.1	12,115
692	692	Inventories		680
64,229	64,229	Short-term Debtors	20.1	51,257
31,863	31,863	Cash and Cash Equivalents	24.4	38,790
665	665	Assets Held for Sale		926
114,457	**114,457**	**Current Assets**		**103,768**
(281,266)	(281,266)	Short-term Borrowing	19.1	(468,223)
(64,696)	(64,696)	Short-term Creditors	21.1	(64,522)
(1,756)	(1,756)	Short-term Provisions	22	(2,987)
(413)	(413)	Grants Received in Advance - Revenue	30	(3,235)
(24,152)	(24,152)	Grants Received in Advance - Capital	30	(32,406)
(372,283)	**(372,283)**	**Current Liabilities**		**(571,373)**
(13,888)	(13,888)	Long-term Creditors	21.2	(12,698)
(12,846)	(12,846)	Long-term Provisions	22	(9,870)
(183,565)	(183,565)	Long-term Borrowing	19.1	(135,138)
(540,896)	(540,896)	Long-term Liabilities Pensions	35.3 & 35.9	(455,390)
(120,545)	(120,545)	Long-term Liabilities Other	21.3	(118,652)
(67,534)	(67,534)	Grants Received in Advance - Capital	30	(88,476)
(939,274)	**(939,274)**	**Long Term Liabilities**		**(820,224)**
(122,691)	**(104,616)**	**Net Assets**		**(70,013)**
57,535	57,535	Usable Reserves		(13,705)
(180,226)	(162,151)	Unusable Reserves	23	(56,308)
(122,691)	**(104,616)**	**Total Reserves**		**(70,013)**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

CASH FLOW STATEMENT

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

Restated 2018/19		Note	2019/20
£000			£000
(64,350)	Net Surplus/(Deficit) on the Provision of Services	24.1	(61,378)
79,639	Adjustment to Net Surplus/(Deficit) on the Provision of Services for non-cash movement	24.1	(2,337)
(36,348)	Adjustments for items included in the Net Surplus/(Deficit) on the Provision of Services that are investing and financing activities	24.1	(12,943)
(21,059)	**Net Cash Flows from Operating Activities**		**(76,658)**
(74,479)	Investing activities	24.2	(75,980)
98,021	Financing activities	24.3	159,565
1,583	**Net Increase/(Decrease) in Cash and Cash Equivalents**		**6,927**
30,280	Cash and cash equivalents at the beginning of the reporting period	24.4	31,863
31,863	**Cash and Cash Equivalents at the End of the Reporting Period**		**38,790**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

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1 Prior Period Adjustments

There are material restatements relating to Financial Instruments, property valuations and depreciation and Heritage Assets. Therefore, it is necessary to make these adjustments to correct the resulting misstatement in the Council's accounts, but it is important to stress that no financial loss has occurred and there is no impact on council services. In order to correct this, the Council has restated the prior year comparatives in the relevant sections of the main statements as well as the notes that are affected by the changes.

Following a review of the working papers for the Financial Instruments, it was identified that the Pooled Investments were incorrectly classified as Fair Value through Other Comprehensive Income (FVOCI) investments when they should have been Fair Value through Profit or Loss (FVTPL) investments. This is because the Pooled Investments do not meet the CIPFA code definition of an FVOCI investment. The adjustment has led to the movement of a charge of £2,657 from Other Comprehensive Income section of the CIES to the Financing and Investment Income and Expenditure line. Where assets are appropriately classed as FVTPL, then the statutory override requires a debit or credit to the Pooled Investment Fund Adjustment Account and not the Financial Instrument Revaluation Reserve so this has also been corrected.

After reviewing the valuations working paper it became apparent that two of the Council's material assets were identified as being incorrect. This required a change within the Balance Sheet for the Property, Plant and Equipment line within non-current assets and the Unusable Reserves line of £1.448m.

Following a review of the Heritage Assets working paper, the auditors identified that a material amount was disclosed on the Insurance policy for assets below £100k and the Special Books Collection. The Council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological, decorative art, natural history and other collections. This is because of the lack of comparable market values and, consequently, these are recognised on the Balance Sheet on the basis of their insurance valuation. This has led to an increase in the Heritage Asset valuation for assets below £100k of £16.023m and the Special Books Collection is valued at £3.5m. The total restatement shown below is £19.523m.

The fully restated 2018/19 comparative figures are shown in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement. The adjustments that have been made to the statements over the versions published in the 2018/19 Statement of Accounts are as follows:

Effect on Closing Balance Sheet 31 March 2019	As Previously Stated 31 March 2019	As Restated 31 March 2019	Correction Required to Opening Balances as at 1 April 2019
	£000	£000	£000
Property Plant and Equipment	797,961	796,513	(1,448)
Heritage Assets	27,271	46,794	19,523
Non-current Assets	**1,074,409**	**1,092,484**	**18,075**
Net Assets	**(122,691)**	**(104,616)**	**18,075**
Unusable Reserves	(180,226)	(162,151)	18,075
Total Reserves	**(122,691)**	**(104,616)**	**18,075**

Effect on Comprehensive Income and Expenditure Statement	As Previously Stated 2018/19	As Restated 2018/19	Correction Required to Opening Balances as at 1 April 2019
	£000	£000	£000
People Directorate	148,581	148,482	(99)
Place Directorate	56,395	56,009	(386)
(Surplus)/Deficit on Continuing Operations	**234,432**	**233,947**	**(485)**
Other Operating Expenditure	18,195	18,196	1
Financing and Investment Income and Expenditure	29,593	32,249	2,656
(Surplus)/Deficit on the Provision of Service	**62,178**	**64,350**	**2,172**
(Surplus)/deficit on Revaluation of Non-current Assets	(44,835)	(62,425)	(17,590)
(Surplus)/deficit from investments in equity instruments designated at fair value through comprehensive income	2,369	0	(2,369)
Other recognised (gains)/losses	288	0	(288)
Other Comprehensive Income and Expenditure	**(77,817)**	**(98,064)**	**(20,247)**
Total Comprehensive Income and Expenditure	**(15,639)**	**(33,714)**	**(18,075)**

Movement in Reserves Statement - Usable Reserves	Previously Stated 2018/19	Restated 2018/19	Correction Required to Opening Balances as at 1 April 2019
	£000	£000	£000
Total Comprehensive Income and Expenditure	(62,178)	(64,350)	(2,172)
Adjustments between accounting basis and funding basis under regulations	59,978	62,149	2,172
Net Increase/(Decrease) in the Year	**(2,201)**	**(2,201)**	**0**
Balance at the End of the Current Reporting Period	**57,535**	**57,535**	**0**

Movement in Reserves Statement - Unusable Reserves	Previously Stated 2018/19	Restated 2018/19	Correction Required to Opening Balances as at 1 April 2019
	£000	£000	£000
Total Comprehensive Income and Expenditure	77,817	98,064	20,247
Adjustments between accounting basis and funding basis under regulations	(59,978)	(62,149)	(2,171)
Net Increase/(Decrease) in the Year	**11,835**	**29,911**	**18,076**
Balance at the End of the Current Reporting Period	**(180,226)**	**(162,151)**	**(18,075)**

2 Accounting Policies

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year ended 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code), supported by International Financial Reporting Standards (IFRS).

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

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

2.2 Accruals of Income and Expenditure

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

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

2.3 Cash and Cash Equivalents

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

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

2.4 Exceptional Items

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

2.5 Benefit Payments

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

2.6 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

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

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

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

2.7 Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue, called the Minimum Revenue Provision (MRP), towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

2.8 Council Tax and Non-Domestic Rates

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

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

Accounting for Council Tax and NDR

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

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

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

2.9 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, flexi and time off in lieu (TOIL) as well as bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Termination Benefits (For Example Redundancy Payments)

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service, or where applicable the Corporate Service line in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the cost of restructuring.

Post-Employment Benefits (Pensions)

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

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

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

Teachers' Pension Scheme

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Educational Services line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year.

However, the Council is able to supplement teachers' statutory retirement benefits with locally determined decisions (discretionary payments). The future liability for such decisions is a true cost to

the Council and is assessed annually by the Actuary and included within the total pension liability on the Balance Sheet.

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.35% (based on the Merrill Lynch AA rated corporate bond).

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

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

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS this means that there are appropriations to and from the Pensions Reserve to remove notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being

required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff, including teachers as outlined above, are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

2.10 Events After the Balance Sheet Date

Events after the Balance Sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

2.11 Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the general fund balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

Financial Assets

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

- amortised cost;
- fair value through profit or loss (FVPL), and;
- fair value through other comprehensive income (FVOCI).

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Financial Assets Measured at Fair Value through Profit of Loss

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

Fair Value Measurements of Financial Assets

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

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

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

2.12 Revenue Recognition

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

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

The analysis carried out to date indicates that there will be no material impact on the revenue recognised in relation to the significant contracts entered into by the Council. A review will take place each year to identify whether any disclosure is necessary.

2.13 Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments;
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until the conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as stated, or future economic benefits or service potential must be returned to the transferor (grant provider).

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

Where revenue grants that have been credited to the CIES are intended to meet specific service expenditure that has not yet been incurred, an equivalent amount is transferred from the General Fund Balance to an Earmarked Reserve in the MiRS. A transfer back is made in future years to match expenditure as it is incurred.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MiRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

2.14 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

2.15 Interests in Companies and Other Entities

An assessment of the Council's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control over an entity. The Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Council does have a number of interests in companies and other entities, none of which would be material on consolidation due to the elimination of group transactions. Thus the production of group accounts is not required for these interests.

2.16 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at 31 March. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the MIRS and posted to the capital adjustment account and the capital receipts reserve.

2.17 Heritage Assets

The Plymouth City Museum and Art Gallery is responsible for over 800,000 artefacts and a proportion of the collections have been held on display in the museum, council buildings and other historic sites. These collections span a wide range of fine and decorative art, archaeology, world cultures, social and natural history and local and maritime history. These are held in support of the primary objective of the Council to ensure that these objects are preserved in trust for future generations because of their cultural, environmental or historical associations.

The Council classifies its Heritage Assets into five main categories – historic buildings and monuments, fine art and world cultures collections, gold, silver and jewellery collections, items under £100k and the special books collection which are being formally recognised on the Balance Sheet on the basis of their insurance valuation.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets, detailed as follows.

Where a historic building is being used significantly for the provision of services (for example Mount Edgcumbe House or the City Museum) this will be recognised as Other Land and Buildings rather than as a Heritage Asset.

The Council's collections are accounted for as follows:

- **Historic Buildings and Monuments**

  Historic buildings and monuments classified as Heritage Assets include Smeaton's Tower and the Elizabethan House.

  The list is relatively static and acquisitions and donations are rare. Where they do occur acquisitions would be initially recognised at cost and donations would be recognised at insurance value which is based on market values.

  As these are deemed to have an indefinite life, the Council does not consider it appropriate to charge depreciation.

- **Fine Art and World Cultures Collection**

  The Council has a large and important fine art collection comprising paintings, watercolours, drawings, prints, miniatures and sculptures. Highlights include the outstanding Cottonian Collection and works by local artists such as Sir Joshua Reynolds, and this represents the largest fine arts collection in the south west. The world cultures collection consists of objects collected from foreign countries spanning the globe.

  Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance values, usually based on valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant information from sales at auction.

  As these items are deemed to have an indefinite life, the Council does not consider it appropriate to charge depreciation.

- **Gold, Silver and Jewellery Collection**

  The collection of gold, silver and jewellery includes local pieces dating from the 18th to 20th century and is representative of the thriving local community. Key pieces in the collection include the Eddystone Lighthouse Salt and the Drake Cup.

  Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance values, usually based on valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant information from sales at auction.

- **Under £100k**

  The Council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological, decorative art, natural history and other collections. This is because of the lack of comparable market values and, consequently, these are recognised on the Balance Sheet on the basis of their insurance valuation.

- **Special Books Collection**

  The Council does not consider that reliable cost or valuation information can be obtained for the items held in its special books collection. This is because of the lack of comparable market values and, consequently, these are recognised on the Balance Sheet on the basis of their insurance valuation.

The Council's policy for the acquisition, preservation and management of museum assets can be found on The Box website.

The carrying amount of Heritage Assets are reviewed on a regular basis to assess whether there has been any evidence of impairment caused by physical deterioration or breakage, or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairments – see note 2.20 in this summary of significant accounting policies. If there is any occasion where a Heritage Asset is disposed of, the proceeds of such items are accounted for in accordance with the Council's general provisions for the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the Notes to the Financial Statements (see note 16.4) and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts – see note 2.20 in this summary of significant accounting policies.

2.18 Assets Held for Sale

When it becomes probable that the value of an asset will be recovered principally through a sale rather than through its continuing use, and the asset is being actively marketed, it is reclassified as an Asset Held for Sale. The asset is revalued and held at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

Assets that are no longer used for operational purposes but are not actively being marketed are revalued and reclassified as surplus but still retained within Property, Plant and Equipment and transferred to Assets Held for Sale only when a decision is made to actively market the asset.

2.19 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee (Leased in Assets)

Operating Leases

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

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

The Council as Lessor (Assets Leased Out)

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the (Surplus)/Deficit on Continuing Operations in the CIES. Credits are made on a straight-line basis over the life of the lease.

2.20 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

The Council operates a policy of assets capitalisation (including donated assets) with a minimum asset value of £10,000 for land and property and £5,000 for vehicle, plant and equipment. However, there is no minimum level applied for capital spend incurred by individual schools financed from capital grants.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure and community assets – depreciated historical cost;
- assets under construction – historical cost;
- surplus assets – fair value;
- the Tamar Toll Bridge - depreciated replacement cost;
- all other assets – current value in their existing use.

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

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

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

Impairment

Assets are assessed at each year-end to determine whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets revalued as part of the 5 year rolling programme by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life such as freehold land and certain Community Assets, and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on a straight line basis over the useful life of the asset as determined by the valuer. Depreciation is charged to the CIES based on values as at the start of the year. No depreciation is applied in year of acquisition or construction. The depreciation periods currently used are:

Operational Buildings:	
Car parks	5 to 50 years
Schools	5 to 50 years
Other buildings	5 to 60 years
Tamar Bridge	120 years
Infrastructure	20 to 40 years
Vehicles and Plant	5 to 25 years

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

Componentisation

The Council's componentisation policy is as follows:

- **Materiality Level**

  Assets with a building value of £2.5m or above are considered for componentisation on an individual asset basis. Consideration is also given to groups of similar assets that individually are below the materiality level for componentisation but may collectively be material.

- **Significance**

  Components with a value of 20% or above of the overall asset value are significant components.

  In terms of schools, components are defined as separate school blocks or buildings and componentisation applied where the values meet the 20% criteria.

- **Different Asset Life**

  The difference in life between the host asset and the component must be over 5 years for componentisation to be recorded.

Disposals

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are required to be credited to the Capital Receipts Reserve. Capital receipts can then only be used for:

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

Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

- **Recognition**

  Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

- **Measurement**

  Highways infrastructure assets are generally measured at depreciated historical cost. Plymouth City Council was incorporated as a unitary authority on the 1 April 1998 and the highways infrastructure assets was transferred from Devon County Council and recognised in the Balance Sheet at nil value. This means that the current highways infrastructure asset value only represents capital expenditure that has incurred since that time. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

- **Depreciation**

  Depreciation is provided on the parts of the highways infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year.

- **Disposals and Derecognition**

  When a component of the highways infrastructure asset is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

2.21 Private Finance Initiative (PFI) and Similar Contracts

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

The Council's original recognition of PFI assets are based on the cost of construction or purchase cost of the property and is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

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

- fair value of the services received during the year;
- finance costs – an interest charge on the outstanding Balance Sheet liability;
- contingent rent – increases in the amount to be paid for the property arising during the contract;

- payment towards finance liability – applied to write down the Balance Sheet liability towards the PFI operator;
- lifecycle costs – costs to maintain assets used to operationally acceptable standard.

Schools PFI Credits

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

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

South West Devon Energy from Waste (EfW) PFI

For the Energy from Waste Scheme there is the additional element of deferred credit from the write down of the long term liability for the expected third party income received during the year.

2.22 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged to the appropriate service in the year that the Council becomes aware of its obligation. It can only be used for the purpose for which it was established.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in note 36.2.

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts, note 36.1, where it is probable that there will be an inflow of economic benefits or service potential.

2.23 Reserves

The Council maintains a number of reserves which may be required for statutory purposes or set up voluntarily to earmark resources for future spending plans or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the MiRS.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The

reserve is then appropriated back into the General Fund Balance in the MiRS so that there is no net charge against Council Tax for the expenditure.

2.24 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MiRS from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

2.25 Accounting for Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for Local Authority maintained schools lies with the Local Authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Local Authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council. The Council has the following types of maintained schools under its control:

- Community
- Voluntary Controlled

School non-current assets are recognised on the Balance Sheet where the Council directly owns the assets or where the school or the school governing body own the assets but the Council is deemed to exercise control.

When a maintained school converts to an Academy, Voluntary Aided or Foundation Trust/Foundation; the school's non-current assets held on the Council's Balance Sheet are treated as a disposal. The carrying value of the asset is written off to Financing and Investment Income and Expenditure in the CIES. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to Academy status is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

The income and expenditure is included within the People directorate in the CIES. The reserves are included in the Education Reserve balance, which forms part of the Council's Useable reserves.

2.26 Value Added Tax

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

2.27 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be receivable to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair

value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

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

Level 3 unobservable inputs for the asset or liability

3 Material Items of Income and Expenditure

This note identifies material items of income and expenditure that are not disclosed on the face of the Comprehensive Income and Expenditure Statement. For the purposes of this Note the Council considers material items to be those greater than £6.665m.

The Council took the decision to make an early payment of £72m towards the Devon LGPS pension deficit. This was made to generate ongoing revenue savings over 21 years. In the draft accounts this transaction was treated as capital. However, our external auditors have advised the Council that this must be treated as revenue. The revenue treatment of this transaction means that the Council's income for 2019/20 was insufficient to meet its expenditure. Due to this change in accounting treatment it has been necessary for the Council to request a retrospective Capitalisation Direction from Government.

4 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 2, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

Tamar Bridge Valuation – Departure from the Code of Practice

The Tamar Bridge is a toll bridge that is jointly owned by Cornwall Council and Plymouth City Council. The Code of Practice on Local Authority Accounting requires infrastructure assets to be accounted for using depreciated historic cost, however both Councils use depreciated replacement cost (DRC) to value the asset. This is because the Tamar Bridge is an income generating asset and the income generated is used to maintain its upkeep. It is therefore treated as a separate class of asset and the reader of the Council's accounts might reasonably expect there to be a relationship between the income raised in tolls and the cost of maintaining and ultimately replacing the bridge.

The current DRC value of the bridge is £60.532m, if the bridge was valued at its depreciated historic cost in line with other infrastructure assets the value would be £22.616m, so would therefore be misleading to use historic cost as a basis for valuation.

The Council have concluded that, taking account of the above, the financial statements present a true and fair view of the Council's financial position, financial performance and cash flows and has complied with the Code in all other respects.

5 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

Where a new standard has been published but has not yet been adopted by the Code, the Council is required to disclose information relating to the impact of these accounting changes. This requirement applies to International Financial Reporting Standards (IFRS) that have not been applied in the 2019/20 Code and that came into effect on or before 1 January 2020.

For 2019/20 the following potentially relevant standards include:

- Amendments to IAS28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015-2017 Cycle; and
- Amendments to IAS19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

Application of the standards is required from 1 April 2019. Therefore, these changes will be reflected in the Council's 2020/21 or future Statement of Accounts.

IFRS16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there are exemptions for low-value and short-term leases). CIPFA/LASAAC have deferred the implementation of IFRS16 for local government to 1 April 2021. Local authorities are not required to include IFRS16 in their consideration of accounting standards that have been issued but not adopted in their 2019/20 accounts.

There are no changes in accounting requirements for 2020/21 that are anticipated to have a material impact on the Council's financial performance or financial position.

6 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

In preparing the Statement of Accounts, there are areas where estimates have been made. Estimates are made taking into account historical experience, current trends and other relevant factors. These include the amount of arrears that will not be collected (based on past experience of collection for the different types of debt); useful lives and valuations of properties which are estimated by qualified valuers (for further details see 2.20); and the liability for future pension payments, which carries the most significant risk of material adjustment.

Item	Uncertainties	Consequences (if actual results differ from assumptions)
Property, Plant and Equipment	Asset valuations are based on market prices, condition surveys and standards of professional practice set out by the Royal Institute of Chartered Surveyors (RICS) and a small proportion of assets are periodically re-valued using a 5-year rolling programme. The Council's valuers provided valuations as at 31 March 2020 for approximately 70% of its operational portfolio in order to ensure that the Council does not materially misstate its Property, Plant and Equipment. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The carrying value of this long term asset at the end of the reporting period was £592.228m. The outbreak of COVID-19 has had a global impact on the financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. This means that less certainty and a higher degree of caution should be attached to valuations. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy. Property valuations will be kept under review as we assess the future impact of COVID-19 on property markets.	Any change in the valuation or useful life of an asset would affect the carrying value of the asset in the Balance Sheet and the charge for depreciation or impairment would impact on the CIES. If the value of the Council's operational properties reduced by 10%, this would result in a net reduction of £14.6m which would either result in a decrease to the Revaluation Reserve and/or a charge to the CIES. An increase in estimated valuations would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the CIES. The above changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from Council Tax receipts.
Fair value measurement of Investment Property	The Council's valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The COVID-19 global impact on financial markets has made judgements on valuations more challenging due to market uncertainty and a higher degree of caution should be attached to valuations than would normally be the case. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.

Item	Uncertainties	Consequences (if actual results differ from assumptions)
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham are the consultant actuaries for the pension scheme providing expert advice about the assumptions to be applied. Those assumptions are detailed in Note 34 to the accounts. The carrying value of this long term liability at the end of the reporting period was £437.124m.	The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the Balance Sheet and the cost shown in the CIES. For The changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from council tax receipts.
Pension Fund Assets	There were material uncertainty clauses in £372.35m of the Pension Fund pooled property valuations in 2019/20. The Council's share of the Pension Fund assets is approximately 18%. The Council's share of valuations containing these uncertainty clauses amounts to £67.023m.	A variation of 10% in the Council's share of Pension Fund pooled property investments with material uncertainty clauses would amount to £6.702m.
Impairment allowance for debts	As at 31 March 2020 the Council had a balance of short-term debtors of £51.257m. The Council makes an impairment allowance against those debts which may become uncollectable. The impairment allowance is currently £13.228m. It is hard to determine whether the impairment allowance is sufficient to offset any losses through non-payment of debts. The outbreak of COVID-19 has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	The impairment allowances held are based on policies adapted for historic experience and the success rates experienced in collection. The Council will monitor its collection rates of debt throughout the year. If there are indications that the impairment allowance will be insufficient they will be adjusted which will have an adverse impact on the Council's revenue account.

Material Uncertainties

There are material uncertainties around valuations in the following areas:

Property, Plant and Equipment – (Valuations Undertaken at 31 March 2020 – COVID-19 Implications)

Non-current asset valuations are based on market conditions and are reviewed annually to ensure that they are materially correct when reported within the annual statement of accounts. The outbreak of COVID-19 has had a global impact on the financial markets and as at the valuation date,

less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. As a result, valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. It is not currently possible to accurately predict the full impact of the COVID-19 pandemic as there is insufficient evidence available at the current time. Therefore the valuations reported have been based on market conditions prior to this crisis on the assumption normal market conditions will be restored.

The material uncertainties are as follows:

Tamar Bridge Valuation

Due to COVID-19 there is a material valuation uncertainty in relation to the valuation of the Tamar Bridge. Its value in the Council's accounts (50% of its total value through the Joint Committee with Cornwall Council) is £60,532m.

Other Land and Buildings

Due to COVID-19 there is a material valuation uncertainty in relation to Other Land and Buildings. These are valued at £573.712m in the Council's accounts. A change in that valuation of between 0% to 10% could result in a change in value of between £0m and £57.371m.

Pension Fund

The Council's liability as at the 31 March is based on a number of complex judgements relating to the discount rate used, the rate at which salaries may change, changes in mortality rates and expected returns on pension fund assets. There are uncertainties in the financial markets caused by the current COVID-19 pandemic. The effects on the net pension liability of changes in individual assumptions can be measured. For example, a future 0.1% increase in the discount rate assumption would result in a change in the (gross) pension liability of £23.189m. Similarly, a reduction of 1 year in the mortality assumption would result in a reduction of £42.998m in the (gross) pension liability.

Investment Properties

Due to COVID-19 there is a material valuation uncertainty in relation to Investment Properties. These are valued at £254.440m in the Council's accounts. A change in that valuation of between 0% to 10% could result in a change in value of between £0m and £25.444m.

7 Events After the Balance Sheet Date

Events taking place after the 31 August 2020 are not reflected in the financial statements. The Statement of Accounts was authorised by the Council's Section 151 Officer on 31 August 2020. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The first UK cases of COVID-19 were confirmed at the end of January 2020. As the disease spread throughout the UK more and more containment measures were introduced by the Government until it was forced to put the country in lockdown. Whilst this has had only a minor impact on the Council's position for 2019/20, it will have a major impact on the Council's finances for 2020/21 with additional costs incurred and income lost in responding to the pandemic.

In April 2020 the Council agreed an Interest Rate Swap with a bank for £75m for a period of 20 years. At the year ending 31 March 2020 the Council has £468m of short term borrowing and wants to reduce the Council's interest rate risk. The Council has therefore fixed the interest rate on £75m for a period of 20 years through an Interest Rate Swap.

On 15 September 2023 the Service Director for Finance (S151 Officer) requested a retrospective Capitalisation Direction from Government. This support will be provided via the Exceptional Financial Support Framework which has been agreed in principle. The Capitalisation Direction will permit the

Council to meet the £72m revenue cost through capital resources. The draft accounts for 2020/21, 2021/22, 2022/23 and 2023/24 will also need to be revised to reflect the change in accounting for the transaction. The revised statements will be presented to the Audit and Governance Committee at the earliest opportunity.

8 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by Local Authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2018/19 Directorate Total Reported for Outturn	2018/19 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances	2018/19 Net Expenditure Chargeable to the General Fund Balances	Restated 2018/19 Adjustments Between the Funding and Accounting Basis	Restated 2018/19 Net Expenditure in the CIES		2019/20 Directorate Total Reported for Outturn	2019/20 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances	2019/20 Net Expenditure Chargeable to the General Fund Balances	2019/20 Adjustments Between the Funding and Accounting Basis	2019/20 Net Expenditure in the CIES
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
5,834	0	5,834	299	6,133	Executive Office	5,859	0	5,859	731	6,590
(9,154)	4,040	(5,114)	(6,325)	(11,439)	Corporate Items	(13,175)	73,669	60,494	(72,795)	(12,301)
17,522	(3,520)	14,002	3,210	17,212	Finance	17,374	(3,093)	14,281	532	14,813
14,993	0	14,993	2,038	17,031	Customer and Corporate Services	16,554	0	16,554	3,896	20,450
132,904	0	132,904	15,578	148,482	People Directorate	133,895	0	133,895	22,294	156,189
297	0	297	222	519	Public Health	(558)	0	(558)	712	154
24,277	860	25,137	30,872	56,009	Place Directorate	25,539	(385)	25,154	34,433	59,587
186,673	**1,380**	**188,053**	**45,894**	**233,947**	**Net Cost of Service**	**185,488**	**70,191**	**255,679**	**(10,197)**	**245,482**
		(185,863)	16,266	(169,597)	Other Income and Expenditure			(181,686)	(2,418)	(184,104)
		2,190	**62,160**	**64,350**	**(Surplus)/Deficit on Provision of Service**			**73,993**	**(12,615)**	**61,378**
		(34,910)			Opening General Fund and Earmarked balances at 31 March 19			(32,720)		
		2,190			(Surplus)/Deficit on General Fund and Earmarked balance in Year			73,993		
		(32,720)			**Closing General Fund Balance at 31 March 19**			**41,273**		

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

9 Note to the Expenditure and Funding Analysis

Adjustments between funding and accounting basis:

Adjustments from General Fund to Arrive at the CIES Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
2019/20	**£000**	**£000**	**£000**	**£000**
Executive Office	33	548	150	731
Corporate Items	67	(61,754)	(11,108)	(72,795)
Finance	577	767	(812)	532
Customer and Corporate Services	2,812	1,377	(293)	3,896
People Directorate	17,807	4,760	(273)	22,294
Public Health	407	533	(228)	712
Place Directorate	30,957	3,927	(451)	34,433
Net Cost of Service	**52,660**	**(49,842)**	**(13,015)**	**(10,197)**
Other Income and Expenditure from the Expenditure and Funding Analysis	251	12,572	(15,241)	(2,418)
Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service	**52,911**	**(37,270)**	**(28,256)**	**(12,615)**

Adjustments from General Fund to Arrive at the CIES Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Restated Other Differences	Restated Total Adjustments
2018/19	**£000**	**£000**	**£000**	**£000**
Executive Office	15	255	29	299
Corporate Items	968	(4,699)	(2,594)	(6,325)
Finance	3,239	374	(403)	3,210
Customer and Corporate Services	1,987	611	(560)	2,038
People Directorate	16,207	964	(1,593)	15,578
Public Health	206	233	(217)	222
Place Directorate	29,220	1,789	(137)	30,872
Net Cost of Service	**51,842**	**(473)**	**(5,475)**	**45,894**
Other Income and Expenditure from the Expenditure and Funding Analysis	27,031	14,357	(25,122)	16,266
Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service	**78,873**	**13,884**	**(30,597)**	**62,160**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

Adjustment for Capital Purposes

Adjustments for Capital Purposes – this column adds in depreciation, impairment and revaluation gains/losses in the services line and for:

- **Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and Investment Income and Expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and Non-Specific Grant Income and Expenditure** – capital grants are adjusted

for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions, or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- **Services** – this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- **Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other Statutory

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statue:

- **Financing and Investment Income and Expenditure** – the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- **Taxation and Non-Specific Grant Income and Expenditure** – the charge represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

10 Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

Expenditure/Income	Restated 2018/19	2019/20
	£000	£000
Expenditure:		
Employee benefits expenses	143,351	234,859
Other service expenses	379,721	357,452
Depreciation, amortisation, impairment	58,093	72,074
Interest payments	23,027	17,412
Total Expenditure	**604,192**	**681,797**
Income:		
Fees, charges and other service income	(121,623)	(197,037)
Interest and investment income	(4,922)	(22,164)
Income from council tax, non-domestic rates, district rate income	(182,383)	(169,546)
Government grants and contributions	(230,914)	(231,672)
Total Income	**(539,842)**	**(620,419)**
Surplus or Deficit on the Provision of Service	**64,350**	**61,378**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

11 Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Adjustments between Accounting Basis and Funding Basis Under Regulations	Restated 2018/19				2019/20			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non-current assets	(48,012)	0	0	48,012	(49,992)	0	0	49,992
Movements in the market value of Investment Properties	(2,680)	0	0	2,680	5,526	0	0	(5,526)
Amortisation of intangible assets	(7)	0	0	7	(7)	0	0	7
Capital grants and contributions	27,003	0	(27,904)	901	16,150	0	(16,150)	0
Movement in the Donated Assets Account	0	0	0	0	256	0	0	(256)
Revenue expenditure funded from capital under statute	(8,528)	0	0	8,528	(10,588)	0	0	10,588
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(19,311)	0	0	19,311	(348)	0	0	348
Deferred credit Energy from Waste	2,324	0	0	(2,324)	2,324	0	0	(2,324)
Revaluation losses on investment in shares	0	0	0	0	(60)	0	0	60
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	7,280	0	0	(7,280)	10,872	0	0	(10,872)
Capital expenditure charged against the General Fund	939	0	0	(939)	523	0	0	(523)
Adjustments involving the Capital Receipts Reserve:								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(1,514)	0	1,514	0	(305)	0	305
Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement	1,569	(1,569)	0	0	1,926	(1,926)	0	0
Total C/FWD	**(39,423)**	**(3,083)**	**(27,904)**	**70,410**	**(23,418)**	**(2,231)**	**(16,150)**	**41,799**

Adjustments between Accounting Basis and Funding Basis Under Regulations	Restated 2018/19				2019/20			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Total B/FWD	**(39,423)**	**(3,083)**	**(27,904)**	**70,410**	**(23,418)**	**(2,231)**	**(16,150)**	**41,799**
Long term debtor repayments in year	0	(241)	0	241	0	(458)	0	458
Use of the Capital Receipts Reserve to finance new capital expenditure	0	6,356	0	(6,356)	0	1,661	0	(1,661)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1)	1	0	0	0	0	0	0
Adjustments involving the Capital Grants Unapplied Account:								
Use of the Capital Grants unapplied Account to finance new capital expenditure	0	0	24,882	(24,882)	0	0	14,425	(14,425)
Adjustments involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(8,782)	0	0	8,782	609	0	0	(609)
Adjustments involving the Pooled Investments Fund Adjustments Account								
Amount by which Financial Instruments charged to the Comprehensive Income and Expenditure Statement are different from amounts chargeable in the year in accordance of statutory requirements	(287)	0	0	287	(6,460)	0	0	6,460
Adjustments involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(33,763)	0	0	33,763	(48,411)	0	0	48,411
Employer's pensions contributions and direct payments to pensioners payable in the year	19,878	0	0	(19,878)	85,682	0	0	(85,682)
Adjustments involving the Collection Fund Adjustment Account:								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	242	0	0	(242)	3,893	0	0	(3,893)
Adjustment involving the Accumulating Compensated Absences Adjustment Account								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(24)	0	0	24	720	0	0	(720)
Total Adjustments	**(62,160)**	**3,033**	**(3,022)**	**62,149**	**12,615**	**(1,028)**	**(1,725)**	**(9,862)**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

12 Other Operating Expenditure

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

Other Operating Expenditure	2018/19	2019/20
	£000	£000
Levies	38	100
Payments to the Government Housing Capital Receipts Pool	1	0
Gains/losses on the disposal of non-current assets	19,294	220
Pension administration costs	448	515
Other income*	(1,585)	(1,866)
Total	**18,196**	**(1,031)**

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

13 Movement in Earmarked Reserves

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

2019/20	Balance as at 31 March 2019	Transfers to Reserves 2019/20	Transfers from Reserves 2019/20	Balance as at 31 March 2020
	£000	£000	£000	£000
Education Reserves	(3,088)	(1,820)	2,943	(1,965)
Other Ring Fenced	(2,607)	(220)	564	(2,263)
Other Reserves	(6,408)	(1,832)	3,540	(4,700)
PCC Earmarked Reserves:				
Carry Forwards and Corporate Health	(1,215)	(100)	1,215	(100)
Redundancies Reserve	(205)	0	47	(158)
Modernisation Enabler	(163)	0	0	(163)
Life Centre Dowry	(200)	(150)	0	(350)
Investment Fund	(165)	(112)	142	(135)
Business Rates Reserve	(4,122)	0	4,122	0
Integrated Finance Reserve	(2,033)	(305)	1,745	(593)
Pension Reserve	0	(3,500)	0	(3,500)
Other PCC Earmarked reserves	(4,463)	(9,123)	3,456	(10,130)
Total Reserves	**(24,669)**	**(17,162)**	**17,774**	**(24,057)**

2018/19	Balance as at 31 March 2018	Transfers to Reserves 2018/19	Transfers from Reserves 2018/19	Balance as at 31 March 2019
	£000	£000	£000	£000
Education Reserves	(3,746)	(4)	662	(3,088)
Other Ring Fenced	(3,683)	(240)	1,316	(2,607)
Other Reserves	(6,585)	(2,746)	2,923	(6,408)
PCC Earmarked Reserves:				
Carry Forwards and Corporate Health	(803)	(1,215)	803	(1,215)
Redundancies Reserve	(314)	(138)	247	(205)
Modernisation Enabler	(576)	(122)	535	(163)
Life Centre Dowry	(1,050)	(150)	1,000	(200)
Investment Fund	(92)	(76)	3	(165)
Business Rates Reserve	0	(4,122)	0	(4,122)
Integrated Finance Reserve	(2,794)	(4,896)	5,657	(2,033)
Other PCC Earmarked reserves	(6,099)	(3,752)	5,388	(4,463)
Total Reserves	**(25,742)**	**(17,461)**	**18,534**	**(24,669)**

The main earmarked reserves and their purpose are as follows:

Education/Schools Reserves

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

School Budget Share – Represents unspent balances at the year-end against schools' delegated budgets. The 31 March 2020 balance relating to the School budget share was £1.829m (31 March 2019: £2.618m).

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

14 Financing and Investment Income and Expenditure

This contains corporate items of income and expenditure arising from the Council's involvement in financial instruments and similar transactions involving interest or the unwinding of discounts. This heading also includes the income and expenditure relating to investment properties, further details of which can be found in note 18.1.

Analysis of Income/Expenditure	Restated 2018/19	2019/20
	£000	£000
Interest payable and similar charges	23,716	15,792
Fair value for capital share purchase	0	60
Fair value for Financial Instruments	287	6,460
Pensions interest cost and expected return on pension assets	13,876	11,980
Interest receivable and similar income	(2,798)	(3,334)
(Surplus)/deficit on trading undertakings not included in Net Cost of Service	206	48
Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal	(3,038)	(11,840)
Total	**32,249**	**19,166**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

15 Taxation and Non-Specific Grant Income and Expenditure

Analysis of Income	2018/19	2019/20
	£000	£000
Council Tax income	(107,122)	(112,317)
Non Domestic Rates	(75,261)	(57,229)
Non-ringfenced Government Grants	(14,819)	(22,550)
Capital Grants and Contributions	(22,840)	(10,143)
Total	**(220,042)**	**(202,239)**

16 Property, Plant and Equipment

16.1 Movement in Year

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The Council continues to maintain that information and does not consider that the non-disclosure will be detrimentally impact on the readers of the Council's accounts and their understanding of the Council's financial position. The Council's reported position of its assets in the Balance Sheet remains unchanged.

Property, Plant and Equipment Assets	2018/19	2019/20
	£000	£000
Infrastructure Assets	136,590	146,051
Other Property, Plant and Equipment Assets	659,923	706,392
Total Property, Plant and Equipment Assets	**796,513**	**852,443**

Infrastructure Assets	2018/19	2019/20
	£000	£000
Opening Net Book Value	**138,433**	**136,590**
Additions	8,724	13,916
Reclassifications	647	7,483
Depreciation	(11,174)	(11,930)
Impairments	(40)	0
Disposals and Decommissioning	0	(8)
Balance as at 31 March	**136,590**	**146,051**

The movement in Property, Plant and Equipment (PPE) in 2019/20 is summarised in the following table:

2019/20	Other Land and Buildings	Vehicles, Plant, Furniture and Fittings	Toll Bridge	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost of Valuation								
At 1 April 2019	546,528	67,178	64,837	1,724	3,942	61,466	745,675	123,318
Additions	4,472	2,656	312	1,611	37	42,639	51,727	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	31,370	0	0	270	890	0	32,530	183
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(12,230)	0	(2,898)	0	(320)	0	(15,448)	(9)
Derecognition - disposals	(208)	(761)	0	0	(108)	0	(1,077)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	(280)	0	(280)	0
Other movements in cost or valuation	5,577	6	(1,719)	0	(950)	(14,277)	(11,363)	0
At 31 March 2020	**575,509**	**69,079**	**60,532**	**3,605**	**3,211**	**89,828**	**801,764**	**123,492**
Accumulated Depreciation and Impairment								
At 1 April 2019	(38,476)	(43,518)	(2,374)	(1,302)	(82)	0	(85,752)	(4,680)
Depreciation charge	(19,590)	(4,289)	(504)	0	(4)	0	(24,387)	(40)
Depreciation written out to the Revaluation Reserve	12,042	0	0	0	80	0	12,122	4,173
Depreciation written out to the surplus/deficit on the Provision of Services	2,602	0	2,878	0	1	0	5,481	114
Impairment losses/(reversals) recognised in the Revaluation Reserve	(8,848)	0	0	0	(119)	0	(8,967)	0
Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services	5,178	0	0	0	0	0	5,178	0
Derecognition - disposals	38	761	0	0	0	0	799	0
Other movements in depreciation and impairment	154	0	0	0	0	0	154	0
At 31 March 2020	**(46,900)**	**(47,046)**	**0**	**(1,302)**	**(124)**	**0**	**(95,372)**	**(433)**
Net Book Value								
At 31 March 2020	**528,609**	**22,033**	**60,532**	**2,303**	**3,087**	**89,828**	**706,392**	**123,059**
At 31 March 2019	**508,052**	**23,660**	**62,463**	**422**	**3,860**	**61,466**	**659,923**	**118,638**

2018/19	Other Land and Buildings	Vehicles, Plant, Furniture and Fittings	Toll Bridge	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost of Valuation								
At 1 April 2018	534,941	65,776	58,827	1,724	2,870	32,712	696,850	119,505
Additions	14,277	2,113	4,289	0	253	39,055	59,987	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	30,366	0	0	0	(316)	0	30,050	3,813
Revaluation Increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(9,968)	0	0	0	(390)	0	(10,358)	0
Derecognition - disposals	(3,474)	(26)	0	0	(57)	0	(3,557)	0
Other movements in cost or valuation	(19,614)	(685)	1,721	0	1,582	(10,301)	(27,297)	0
At 31 March 2019	**546,528**	**67,178**	**64,837**	**1,724**	**3,942**	**61,466**	**745,675**	**123,318**
Accumulated Depreciation and Impairment								
At 1 April 2018	(35,349)	(39,715)	(1,882)	(1,302)	(78)	0	(78,326)	(3,731)
Depreciation charge	(18,489)	(4,394)	(492)	0	(46)	0	(23,421)	(4,622)
Depreciation written out to the Revaluation Reserve	12,444	0	0	0	290	0	12,734	3,673
Depreciation written out to the surplus/deficit on the Provision of Services	1,181	0	0	0	28	0	1,209	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	(6,188)	0	0	0	0	0	(6,188)	0
Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services	2,167	(7)	0	0	0	0	2,120	0
Derecognition - disposals	2,440	26	0	0	0	0	2,466	0
Other movements in depreciation and impairment	3,318	572	0	0	(276)	0	3,614	0
At 31 March 2019	**(38,476)**	**(43,518)**	**(2,374)**	**(1,302)**	**(82)**	**0**	**(85,752)**	**(4,680)**
Net Book Value								
At 31 March 2019	**508,052**	**23,660**	**62,463**	**422**	**3,860**	**61,466**	**659,923**	**118,638**
At 31 March 2018	**499,592**	**26,061**	**56,945**	**422**	**2,792**	**32,712**	**618,524**	**115,774**

16.2 Commitments Under Capital Contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2020 amounted to £70.780m (31 March 2019: £51.065m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme. Significant contractual commitments outstanding as at 31 March 2020 were as follows:

Project	Contractor	Amount
		£000
Forder Valley Link Road	Balfour Beatty	36,000
Plymouth Rail Station Regeneration	Multiple contractors	3,009
Oceansgate Phase 2 Direct Development	Kier Construction	4,500
Millbay Boulevard	South West Highways	2,400
Oceansgate - Phase 2 Offsite Drainage	Balfour Beatty	2,000
E Corridor Junction Improvements	South West Highways	1,900
Cycle F: Routes within Derriford Community Park, Bircham Valley and Forder Valley	Balfour Beatty	1,500
RIO Loan Devonport Market Hall	Classic Builders and Professional Services	1,500
PfH North Prospect Regeneration - Phase 4	Plymouth Community Homes	1,000
Other Contractual Commitments under £1m		16,971
Total		**70,780**

16.3 Revaluations

The Council revalues a significant proportion of its Property, Plant and Equipment (PPE) on an annual basis and then carries out a rolling programme that ensures that all the remaining property required to be measured at fair value is revalued at least every five years. All valuations are carried out internally under the supervision of RICS Registered Valuers, except for the Energy from Waste Plant which is revalued by an external valuer appointed by Devon County Council and the Tamar Bridge and Torpoint Ferry properties which is revalued by an external valuer appointed by Cornwall Council.

Revaluations	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried at historical cost	1,153	22,033	0	23,186
Valued at Current Value as at :				
31 March 2020	381,218	0	3,087	384,305
31 March 2019	85,216	0	0	85,216
31 March 2018	28,933	0	0	28,933
31 March 2017	28,443	0	0	28,443
31 March 2016	3,646	0	0	3,646
Total Cost of Valuation	**528,609**	**22,033**	**3,087**	**553,729**

16.4 Gain/Loss on Disposal of Non-Current Assets

Assets Written Off Balance Sheet	2018/19	2019/20
	£000	£000
Land and property sales	(188)	220
Academy and trust schools	19,482	0
Investment properties	65	0
Total	**19,359**	**220**

17 Heritage Assets

The Council holds the following types of heritage assets:

Historic Buildings and Monuments

Historic buildings and monuments classified as heritage assets on the Balance Sheet include Smeaton's Tower and the Elizabethan House, which have been recognised at insurance valuations.

The Council has a number of other Heritage Assets that are used significantly for the provision of services and therefore are required to be recognised within Property, Plant and Equipment. These include Mount Edgcumbe House and The Box.

Gold, Silver, Jewellery, Fine Art and World Cultures

The Council's gold, silver, jewellery, fine art and world cultures collections are reported in the Balance Sheet at insurance valuation, which is based on market values.

The Council's policy for the acquisition, preservation and management of museum assets can be found on The Box website.

Items Over £100k

All Heritage assets over £100k are recognised at insurance valuations, which are reviewed annually and the value of assets are adjusted accordingly.

Special Books Collection

The special books collection assets are recognised at insurance valuations, which are reviewed annually and the value of assets are adjusted accordingly.

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

Heritage Assets	Buildings	Fine Art	Gold, Silver and Jewellery	Items Over £100k	Special Books Collection	Total Assets
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
As at 1 April 2018 Restated	5,725	16,883	4,663	16,023	3,500	46,794
As at 31 March 2019 Restated	**5,725**	**16,883**	**4,663**	**16,023**	**3,500**	**46,794**
Cost or Valuation						
As at 1 April 2019	5,725	16,883	4,663	16,023	3,500	46,794
Additions	189	217	67	0	0	473
Revaluations	0	351	0	672	0	1,023
As at 31 March 2020	**5,914**	**17,451**	**4,730**	**16,695**	**3,500**	**48,290**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

18 Investment Properties

18.1 Income, Expenditure and Changes in Fair Value of Investment Properties

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

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

Amounts Recognised in the Comprehensive Income and Expenditure Statement	2018/19	2019/20
	£000	£000
Rental income from Investment Property	10,401	13,707
Direct operating expenses arising from Investment Property	(4,568)	(7,393)
Net Gain/(Loss)	**5,833**	**6,314**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

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

Analysis of Movement in Investment Properties	2018/19	2019/20
	£000	£000
Balance at 1 April	**137,726**	**197,732**
Additions	59,198	47,576
Disposals	(65)	(215)
Net gains/(losses) from fair value adjustments	(2,680)	5,526
Transfers:		
(to)/from Property, Plant and Equipment	3,553	3,821
Balance at 31 March	**197,732**	**254,440**

18.2 Fair Value Hierarchy for Investment Properties

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2020 are as follows:

Recurring Fair Value Measurements Using	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2020
2019/20	**£000**	**£000**	**£000**	**£000**
Industrial sites	0	63,474	0	63,474
Miscellaneous ground rents	0	6,651	3,665	10,316
Miscellaneous lets	0	41,835	34	41,869
Retail ground rents	0	35,929	0	35,929
Offices	0	10,565	0	10,565
Out of town retail	0	81,830	0	81,830
Development and Surplus Land	0	10,262	50	10,312
Lodges	0	145	0	145
Total	**0**	**250,691**	**3,749**	**254,440**

There were no transfers between Levels 1 and 2 during the year.

Recurring Fair Value Measurements Using	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2019
2018/19	**£000**	**£000**	**£000**	**£000**
Industrial sites	0	43,575	0	43,575
Miscellaneous ground rents	0	6,172	4,054	10,226
Miscellaneous lets	0	26,727	34	26,761
Retail ground rents	0	38,777	0	38,777
Offices	0	9,856	0	9,856
Out of town retail	0	64,091	0	64,091
Other	0	4,396	50	4,446
Total	**0**	**193,594**	**4,138**	**197,732**

There were no transfers between Levels 1 and 2 during the year.

18.3 Valuation Techniques Used to Determine Level 2 and 3 Fair Value for Investment Properties

Significant Observable Inputs – Level 2

The Current Value (Fair Value) for the Investment portfolio has been based on the market approach using comparable evidence from recent property transactions in the Plymouth area and by analysing other relevant information. Market Conditions are such that similar properties are actively purchased and sold with the level of observable inputs significant. This has led to the properties being categorised at Level 2 in the fair value hierarchy.

In relation to the housing sites, each of the housing sites have been marketed on the open market by Plymouth City Council, with offers received subject to various conditions (including but not limited to planning or category of those specifications). These offers have been adjusted accordingly to reflect the individual conditions.

Significant Unobservable Inputs – Level 3

Assets categorised at Level 3 in the fair value hierarchy have been assessed where there is a significant level or unobservable inputs. Where there is no reasonably available market evidence available in the Plymouth area to determine the Current Value (Fair Value) the Valuer will use considered assumptions such as the potential yields, rental growth and occupancy levels.

Highest and Best use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

18.4 Reconciliation of Fair Value Measurements (Using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Funding Hierarchy

Investment Properties Categorised within Level 3	31 March 2019	31 March 2020
	£000	£000
Opening Balance	**3,987**	**4,138**
Reclassifications in to Investment Properties at Level 3	288	(288)
Total gains/(losses) for the period included in the surplus or deficit on the provision of services resulting from changes in fair value	(137)	(101)
Closing Balance	**4,138**	**3,749**

Gains or losses arising from changes in the fair value of the investment properties are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

19 Financial Instruments

19.1 Financial Instruments Balances

In 2018/19 the Code adopted IFRS9 – Financial Instruments which replaces IAS39. This new standard affects the classification of financial instruments and the subsequent treatment of changes in fair value. IFRS9 removes the classification of Available for Sale (AFS) financial assets and requires that they are reclassified according to the nature of the transaction.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

The financial assets held by the Council during the year are accounted for under the following three classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
  - cash in hand;
  - bank current and deposit accounts;
  - fixed term deposits and reverse repurchase agreements with banks and building societies;
  - loans to other local authorities;
  - loans to smaller companies and housing associations;
  - certificates of deposit and covered bonds issued by banks and building societies;
  - treasury bills and gilts issued by the UK Government;
  - loans made for service purposes;
  - leases receivables;
  - trade receivables for goods and services provided.
- Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category).
- Fair value through profit and loss (all other financial assets) comprising:
  - interest rate swaps;

- pooled funds, equity and property funds managed and held as strategic investments;
- equity investments held for service purposes;
- money market funds managed by fund managers;
- loans where the cash flows are not solely payments of principal and interest;
- structured deposits with banks and building societies.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised of:

- long-term loans from the Public Works Loan Board;
- short-term loans from other local authorities;
- overdraft;
- lease payables;
- Private Finance Initiative;
- trade payables for goods and services received.

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

Financial Assets	Fair Value Level	Long-Term		Short-Term		Total	
		Restated 31 March 19	31 March 20	Restated 31 March 19	31 March 20	Restated 31 March 19	31 March 20
		£000	£000	£000	£000	£000	£000
At fair value through profit or loss:							
Money Market Fund (MMF)	3	0	0	26,012	32,554	26,012	32,554
Pooled Funds	2	37,374	50,914	0	0	37,374	50,914
Amortised cost:							
Investments	3	3,123	123	17,008	12,115	20,131	12,238
Cash and cash equivalents (less MMF)	3	0	0	5,851	6,236	5,851	6,236
Total Investments		**40,497**	**51,037**	**48,871**	**50,905**	**89,368**	**101,942**
Debtors							
Financial Instruments	3	10,925	11,591	19,192	18,941	30,117	30,532
Non-Financial Instruments	3	0	0	45,037	32,316	45,037	32,316
Total		**51,422**	**62,628**	**113,100**	**102,162**	**164,522**	**164,790**

** The fair value of short-term financial assets including receivables is assumed to approximate to the carrying amount.*
*** Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.*

Financial Liabilities	Fair Value Level	Long-Term		Short-Term		Total	
		Restated 31 March 19	31 March 20	Restated 31 March 19	31 March 20	Restated 31 March 19	31 March 20
		£000	£000	£000	£000	£000	£000
Loans at amortised cost:							
PWLB	2	(45,335)	(40,706)	0	0	(45,335)	(40,709)
Market Loans	2	(84,119)	(84,058)	0	0	(84,119)	(84,058)
Other borrowing	2	(54,111)	(10,371)	(281,266)	(468,223)	(335,377)	(478,594)
Total Borrowing		**(183,565)**	**(135,138)**	**(281,266)**	**(468,223)**	**(464,831)**	**(603,361)**
Liabilities at amortised cost:							
Other long-term liabilities	2	(120,545)	(118,652)	0	0	(120,545)	(118,652)
Creditors							
Financial Instruments	3	(13,888)	(12,698)	(31,011)	(34,220)	(44,899)	(46,918)
Non-Financial Instruments	3	0	0	(33,685)	(30,302)	(33,685)	(30,302)
Total		**(317,998)**	**(266,488)**	**(345,962)**	**(532,745)**	**(663,960)**	**(799,233)**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

LOBOs (Local Authority Lender's Option Borrower's Option loans) of £34m have been included in Market Loans but have a call date in the next 12 months. A call date means that the lender has the option to change the interest rate for the remaining period of the loan. The Council then has the option to accept the new rate or redeem.

Financial Assets Comparison to Fair Values

The fair values of the financial assets are equal to their Balance Sheet values

Financial Liabilities Comparison to Fair Values

Financial Liabilities	Restated Balance Sheet 31 March 19	Restated Fair Value 31 March 19	Balance Sheet 31 March 20	Fair Value 31 March 20
	£000	£000	£000	£000
Loans at amortised cost:				
PWLB	45,335	66,550	39,176	63,666
LOBO loans	66,187	106,992	65,857	118,276
Other market loans	17,932	29,286	18,201	30,695
Other long-term loans	54,111	56,034	11,904	10,735
Short-term borrowing	281,266	281,266	468,223	468,223
Total Borrowing	**464,831**	**540,128**	**603,361**	**691,595**
PFI and lease liabilities	109,102	113,737	105,643	103,613
Total Liabilities	**573,933**	**653,865**	**709,004**	**795,208**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

19.2 Equity Instruments Designated to Fair Value through Profit and Loss

The Council has investments made through the CCLA and other pooled funds. Under IFRS9 the Code now requires that pooled funds are measured at Fair Value through Profit or Loss. However, to mitigate the impact of the change there is a statutory override for a period of five years meaning that there is no impact on the Council's General Fund.

19.3 Gains and Losses on Financial Instruments

The income, expense, gains and losses recognised in the CIES in relation to financial instruments are made as follows:

	Restated 2018/19		2019/20	
	Surplus or Deficit on the Provision of Service	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Service	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
Net gains/losses on:				
Investment in equity instruments designated at fair value through profit and loss	287	0	6,460	0
Interest and Similar Income	**287**	**0**	**6,460**	**0**
At fair value through profit and loss	(2,080)	0	(1,558)	0
Amortised cost	(718)	0	(1,776)	0
Total Interest Revenue	**(2,798)**	**0**	**(3,334)**	**0**
Total Income	**(2,511)**	**0**	**3,126**	**0**
Interest expense at amortised costs	14,325	0	15,792	0
Total Interest Expense	**14,325**	**0**	**15,792**	**0**
Net (Gain)/Loss for the Year	**11,814**	**0**	**18,918**	**0**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

19.4 Financial Instruments – Fair Value

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

The fair values of other instruments have been taken at cost value, as the council believes that cost may provide an appropriate estimate of fair value. Cost represents the best estimate of fair value:

a) no significant change in the performance of the investee compared with budget;

b) no significant change in the market for the investee's products, economic environment in which the entity operates;

c) no change in expected performance in matters such as fraud, commercial disputes, litigation, changes in management or strategy.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost.

- The value of Lender's Option Borrower's Option (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;
- Other loans borrowed by the Council have been valued at cost on the basis of that most of the loans are short term loans and/or borrowed from other public sector organisations;

- Shares in limited company have been valued at cost of the investment;
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been taken at the same value as the on-going PFI model as this is an estimate of the outstanding liability of this finance and provides an appropriate estimate of fair value;
- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to be approximately the carrying amount given the low and stable interest rate environment and the bad debt provisions already included in the statement of accounts.

Fair values are shown in note 19.1, split by their level in the fair value hierarchy:

- Level 1 fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices;
- Level 2 fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments;
- Level 3 fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

19.5 Nature and Extent of Risks Arising from Financial Instruments

The Council has adopted CIPFA's code of Practice on Treasury Management and complies with The Prudential Code for Capital Finance in Local Authorities (revised in 2017).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The strategy sets out the parameters for the management of risks associated with Financial Instruments.

Full details of the Council's Treasury Management Strategy can be found on the Council's website.

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

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

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

Credit Risk

Credit Risk arises from deposits with banks and financial institutions as well as credit exposures to the Council's customers.

Asset Type	Credit Risk Management	Estimation of Impairment Loss
Loans to other authorities	Guaranteed by statute.	No allowance required.

Banks and financial institutions	Deposits are restricted in line with Council's approved Treasury Strategy.	No historic or forecast losses.
Loans	All loans subject to internal risk appraisal, where appropriate guarantees and/or security is obtained in event of default.	No historic or forecast losses.
Other Debtors	Debtors are not subject to internal credit ratings and have been grouped for the purposes of calculating expected losses.	Expected credit losses (impairment) estimated based on age and type of debt.

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap, other contracts and equity prices when selecting commercial entities for investment.

A limit of £25m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in building societies there is a smaller limit of £10m applies. The Council also sets limits on investments in certain sectors.

The table below summarises the credit risk exposures of the Council's Treasury investment portfolio by credit rating and remaining time to maturity.

Credit Rating	31 March 2019		31 March 2020	
	Long-Term	Short-Term	Long-Term	Short-Term
	£000	£000	£000	£000
AAA	0	0	0	0
AA	0	27,633	0	32,554
A+	65	21,237	65	17,341
A	0	0	0	0
A-	3,000	0	0	0
Unrated	0	0	58	0
Total	**3,065**	**48,870**	**123**	**49,895**
Credit risk not applicable*	37,432	0	50,914	1,010
Total Investments	**40,497**	**48,870**	**51,037**	**50,905**

** Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.*

The Council's maximum exposure to credit risk in relation to its investments with banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution.

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

The Council does not generally allow credit for customers. After 28 days, recovery procedures are undertaken to recover any outstanding debt. The past due amount can be analysed by age as follows:

Past Due Amounts Analysed by Age	31 March 19	31 March 20
	£000	£000
Less than three months	7,718	14,433
Three months to one year	2,000	2,936
More than one year	8,260	2,988
Total	**17,978**	**20,357**

Sundry debtors have an impairment provision based on historical experience, age of debt, economic conditions and arrangements for conditions.

Liquidity Risk

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

It is however exposed to the risk that it will need to refinance a significant proportion of its short term borrowing at a time of unfavourably high interest rates.

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

Loans Outstanding	Restated 31 March 2019	31 March 2020
	£000	£000
Public Works Loan Board	(45,335)	(40,709)
Market debt	(84,119)	(84,058)
Temporary borrowing	(323,653)	(468,222)
Other borrowing	(11,724)	(10,373)
Deferred liability (PFI)	(104,130)	(100,567)
Deferred liability (finance leases)	(1,515)	(1,465)
Other liabilities	(14,900)	(16,619)
Trade creditors	(64,696)	(64,522)
Long-term creditors	(13,888)	(12,698)
Total	**(663,960)**	**(799,233)**
Less than 1 year	(356,605)	(533,948)
Between 1 and 2 years	(14,153)	(5,752)
Between 2 and 5 years	(64,380)	(25,132)
Between 5 and 10 years	(73,741)	(46,851)
Between 10 and 20 years	(64,380)	(68,247)
Between 20 and 30 years	(3,081)	(31,689)
Between 30 and 40 years	(19,127)	(24,157)
Between 40 and 50 years	(30,174)	(25,161)
Over 50 years	(38,319)	(38,296)
Total	**(663,960)**	**(799,233)**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

The Council has £64m (2018/19: £64m) of LOBO loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

£465m of short-term borrowing in place at 31 March 2020 was taken under approved authority to meet the Council's capital financing and cash flow requirements to the end of the financial year. These loans can be repaid from cash flow and maturing deposits in 2019/20 if required, thus reducing credit risk. These repayments are not subject to liquidity risk and there is no need to replace this borrowing as there will be no exposure to interest rate risk.

Market Risk: Interest Rate Risk

The Council is exposed to risks in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council.

The Council has £465m short-term (less than 12 months) loans so there is an interest rate risk if the rates go up. If there is a 0.5% increase in the bank rate it will cost an additional £2.325m per year.

The Council has £64m (2018/19: £64m) of Lender's Option, Borrower's Option (LOBO) loans with fixed interest rates and with maturity dates between 2031 and 2078 where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty.

In the current low interest rate environment, the likelihood of the lender increasing the rate is low, however, the likelihood will increase in later years should market interest rates rise. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise;
- borrowings at fixed rates – the fair value of the liabilities will fall;
- investments at variable rates – the interest income will rise;
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Council has a number of strategies for managing interest rate risk. The Council seeks to minimise this risk through expert advice on forecasts of interest rates received from our treasury management consultants. This is used to formulate a strategy for the year for both investments and borrowing. This strategy is periodically reviewed during the year to update for any modifications required in the light of actual movements in interest rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

Market Risk: Price Risk

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investment fund of £26.651m. A 1% fall in commercial property prices would result in a £0.267m charge to the

surplus or deficit on the provision of services, which is then transferred to the pooled investment fund adjustment account.

The Council's investments in pooled investment funds is subject to the risk in falling share prices. The risk is limited by the Council's maximum exposure to equity investments of £24,263m. A 1% fall in share prices would result in a £0.243m charge to the surplus or deficit on the provision of services, which is then transferred to the pooled investment fund adjustment account.

20 Debtors

20.1 Short-Term Debtors

Debtors due within the next 12 months are:

Category of Debtor	31 March 2019	31 March 2020
	£000	£000
Amounts falling due in one year:		
Central government departments	12,284	4,182
NHS bodies	727	1,026
Other local authorities	2,903	4,068
Other entities and individuals	48,315	41,981
Total Short Term Debtors	**64,229**	**51,257**

20.2 Long-Term Debtors

Debtors due after 12 months are:

Category of Debtor	31 March 2019	31 March 2020
	£000	£000
Secured debt	487	273
Other loans/mortgages	10,438	11,318
Total Long-term Debtors	**10,925**	**11,591**

20.3 Bad Debt Provision

Analysis of Provision Held	31 March 2019	Provision Made in Year	Provision Used in Year	31 March 2020
	£000	£000	£000	£000
General fund	(1,638)	(465)	478	(1,625)
Housing benefit overpayments provision	(4,320)	(726)	696	(4,350)
Collection fund	(6,186)	(2,051)	984	(7,253)
Total Provisions for Bad Debt	**(12,144)**	**(3,242)**	**2,158**	**(13,228)**

21 Creditors

21.1 Short-Term Creditors

Creditors payable within the next 12 months are:

Category of Creditor	31 March 2019	31 March 2020
	£000	£000
Central government departments	(6,491)	(9,506)
Corporations and trading funds	0	(27)
NHS bodies	(3,298)	(1,707)
Other local authorities	(2,789)	(1,908)
Other entities and individuals	(52,118)	(51,374)
Total Short-term Creditors	**(64,696)**	**(64,522)**

21.2 Long-Term Creditors

Creditors payable after 12 months are:

Category of Creditor	31 March 2019	31 March 2020
	£000	£000
Other local authorities	(13,736)	(12,561)
Other entities and individuals	(152)	(137)
Total Long-term Creditors	**(13,888)**	**(12,698)**

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

21.3 Other Long-Term Liabilities

Analysis of Other Long-term Liabilities	31 March 2019	31 March 2020
	£000	£000
PFI finance leases	(104,130)	(100,567)
Other finance leases	(1,515)	(1,465)
Cornwall Council - re Tamar Bridge and Torpoint Ferry Joint Committee	(14,900)	(16,620)
Total	**(120,545)**	**(118,652)**

22 Provisions

The Council has a number of budget provisions set up to meet known liabilities. The balance on the provisions at year end together with movement in the year is outlined as follows:

Analysis of Provisions Held	31 March 2019	Provisions Made in Year	Payments Used in Year	Unused Amounts Reversed in Year	31 March 2020
	£000	£000	£000	£000	£000
Insurance provision	(2,737)	(2,625)	2,243	233	(2,886)
Landfill site provision	(9,295)	0	307	946	(8,042)
Other provisions	(2,570)	(166)	807	0	(1,929)
Total Provisions	**(14,602)**	**(2,791)**	**3,357**	**1,179**	**(12,857)**

The provisions include short-term provisions of £2.987m (2018/19: £1.756m) and long-term provisions of £9.870m (2018/19: £12.846m).

Details about the main provisions held are as follows:

Insurance Provisions

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

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

Landfill Site Provision

The Council has a provision of £8.042m as at 31 March 2020 to reflect the Council's on-going liability for the closed landfill site at Chelson Meadow. The provision has been calculated on the future maintenance costs over the next 48 years and is reviewed each year to take into account the actual maintenance costs spent in the year.

Other Provisions

Included in Other Provisions is a provision of £1.889m as at 31 March 2020 (2018/19: £2.530m) for business rate appeals.

23 Unusable Reserves

The Council holds a number of unusable reserves in the Balance sheet. Some are required to be held for statutory reasons and some are needed to comply with proper accountancy practice.

Analysis of Reserves	Note	Restated 31 March 2019	31 March 2020
		£000	£000
Unusable Reserves:			
Revaluation Reserve	23.1	220,596	246,913
Capital Adjustment Account	23.2	204,544	198,648
Financial Instruments Adjustments Account	23.3	(27,227)	(26,598)
Pensions Reserve	23.4	(554,631)	(467,951)
Collection Fund Adjustment Account		(5,514)	(1,621)
Accumulating Compensated Absences Adjustment Account		(2,326)	(1,604)
Deferred Capital Receipts		38	16
Pooled Investment Fund Adjustment Account		2,369	(4,111)
Total Unusable Reserves		**(162,151)**	**(56,308)**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

23.1 Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of service and the gains are consumed through depreciation, or;
- disposed of and the gains are realised.

The Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

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

Movement in Revaluation Reserve	Restated 2018/19	2019/20
	£000	£000
Balance at 1 April	**176,675**	**220,596**
Adjustment to opening balance	19,523	0
Upward revaluation of assets	55,200	51,698
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the Provision of Services	(12,298)	(6,072)
Surplus or (Deficit) on the Revaluation of Non-current Assets Not Posted to the (Surplus) or Deficit on the Provision of Services	**62,425**	**45,626**
Release of Investment Property Balance	0	(1,927)
Difference between fair value depreciation and historical cost depreciation	(13,449)	(17,197)
Accumulated gains on assets sold or scrapped	(5,055)	(185)
Amount Written Off to the Capital Adjustment Account	**(18,504)**	**(19,309)**
Balance at 31 March	**220,596**	**246,913**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

23.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations. These are then charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

The following table shows the transactions posted to the account during the year:

Movement in Capital Adjustment Account	2018/19	2019/20
	£000	£000
Balance at 1 April	**231,269**	**204,544**
Release of Investment Property balance in the Revaluation Reserve	0	1,927
Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(39,217)	(39,069)
Revaluation losses on Property, Plant and Equipment	(9,280)	(10,923)
Amortisation of intangible assets	(7)	(7)
Revenue expenditure funded from capital under statue	(8,528)	(10,588)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(16,483)	(446)
Adjusting amounts written out of the Revaluation Reserve	13,934	17,197
Revaluation losses on Share Purchase	0	(60)
Capital Financing Applied in the Year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	6,356	1,661
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	24,882	14,425
Amounts Reserved for Future Capital Funding:		
Statutory provision for the financing of capital investment charged against the General Fund (includes TBTF element)	7,280	10,872
Capital expenditure charged against General Fund	939	523
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,680)	5,526
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	256
Other Movement on the CAA in Year:		
Landfill Site Provision	0	944
Write down of long-term debtors	(240)	(458)
Deferred credit - Energy from Waste	2,324	2,324
Initial recognition of the RIF loan	(6,005)	0
Balance at 31 March	**204,544**	**198,648**

23.3 Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for the accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid and discounts received on the early redemption of loans. During the year there was no early redemption of LOBO loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the net expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on Council Tax payers. In the Council's case this period is the unexpired term that was outstanding on loans when they were redeemed.

Movement in Financial Instruments Adjustment Account	2018/19	2019/20
	£000	£000
Balance at 1 April	**(18,446)**	**(27,227)**
Opening balance adjustment	0	20
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(8,848)	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory	(20)	544
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	87	65
Balance at 31 March	**(27,227)**	**(26,598)**

23.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service. The liabilities are updated to recognise and to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements require any benefits earned to be financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible (i.e. enhanced pensions). The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Movement in Pension Reserve	2018/19	2019/20
	£000	£000
Balance at 1 April	**(576,385)**	**(554,631)**
Actuarial gains or losses on pensions assets and liabilities	35,639	49,409
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(34,891)	(49,586)
Employer's pensions contributions and direct payments to pensioners payable in the year	19,878	85,682
(Increase)/decrease in Plymouth's share of next deficit in year of Devon County Council Pension Fund	1,128	1,175
Balance at 31 March	**(554,631)**	**(467,951)**

24 Notes to the Cash Flow

24.1 Cash Flow Statement – Operating Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

Analysis of Operating Activities	Restated 2018/19	2019/20
	£000	£000
Net Surplus or (Deficit) on the Provision of Services	**(64,350)**	**(61,378)**
Adjust net surplus or deficit on the provision of services for non-cash movements:		
Depreciation	48,012	49,992
Impairment and downward valuations	(13,449)	(19,125)
Amortisation	7	7
Impairment losses on investments debited to surplus or deficit on the Provision of Services in year	(1,359)	4,112
Adjustments for effective interest rates	1,925	39
(Increase)/decrease in interest creditors	(1,940)	(607)
(Increase)/decrease in creditors	9,971	2,428
(Increase)/decrease in interest and dividend debtors	(7)	(107)
(Increase)/decrease in debtors	(1,414)	5,264
(Increase)/decrease in inventories	11	12
Pension liability	21,754	(37,271)
Contributions to/(from) Provisions	(2,134)	(1,745)
Donations	0	(256)
Carrying amount of non-current assets sold	15,582	446
Movement in Investment Property values	2,680	(5,526)
Total	**79,639**	**(2,337)**
Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities		
Capital grants credited to surplus or deficit on the Provision of Services	(27,003)	(16,150)
Proceeds from the sale of short-term and long-term investments	(8,020)	5,416
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,325)	(2,209)
Total	**(36,348)**	**(12,943)**
Net Cash Flows from Operating Activities	**(21,059)**	**(76,658)**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

The cash flows for operating activities include the following items:

Analysis of Interest Paid and Received	2018/19	2019/20
	£000	£000
Interest received	1,418	3,363
Interest paid	(14,354)	(16,398)
Dividend received	1,475	0

24.2 Cash Flow Statement – Investing Activities

Analysis of Investing Activities	Restated 2018/19	2019/20
	£000	£000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(128,326)	(113,944)
Purchase of short-term and long-term investments	(303)	(20,000)
Other payments for Investing Activities	(1,055)	(4,099)
Proceeds from the sale of Property, Plant and Equipment, Investment Properties and Intangible Assets	1,514	2,231
Proceeds from short-term and long-term investments	8,020	4,893
Other Receipts from Investing Activities	44,771	54,939
Net Cash Flows from Investing Activities	**(75,379)**	**(75,980)**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

24.3 Cash Flow Statement – Financing Activities

Analysis of Financing Activities	Restated 2018/19	2019/20
	£000	£000
Cash receipts of short-term and long-term borrowing	704,717	754,464
Billing Authorities - Council Tax and NDR adjustments	(6,160)	1,014
Repayment of short-term and long-term borrowing	(596,942)	(592,501)
Payments for the reduction of a finance lease liability	(41)	(49)
Payments for the reduction of a PFI liability	(3,553)	(3,363)
Net Cash Flows from Financing Activities	**98,021**	**159,565**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

24.4 Cash Flow Statement – Cash and Cash Equivalents

Analysis of Cash and Cash Equivalents	2018/19	2019/20
	£000	£000
Cash and bank balances	695	379
Cash Investments - regarded as cash equivalents	29,572	37,715
Tamar Bridge and Torpoint Ferry	1,596	696
Net Cash Flows from Cash and Cash Equivalents	**31,863**	**38,790**

25 Pooled Budgets – Integrated Fund

The Council has a pooled budget arrangement with Devon Clinical Commissioning Group (Devon CCG), under Section 75 of the NHS Act 2006, to enable an integrated approach to commissioning a range of health, public health and social care services to meet the needs of people living in the Plymouth area. The pooled budget is currently hosted by Devon CCG on behalf of the two partners to the agreement, although the two partners keep their own accounts in their separate ledgers. All

spend is allocated a lead commissioner. The risk share allows for the Council and the CCG to share the risk and reward of over and under-spends, up to the value of 0.5% of the agreed applicable value of the Integrated Fund, is proportional to the value of the contribution of each party to the Integrated Fund and also ensures that the risk to each partner is capped.

Pooled Budget - Integrated Fund	2018/19	2019/20
	£000	£000
Contribution to the Pooled Budget:		
Plymouth City Council's contribution:		
Pooled	178,835	183,847
Aligned	80,067	71,722
Total Plymouth City Council	**258,902**	**255,569**
Devon CCG's* contribution:		
Pooled	140,356	139,155
Aligned	211,488	241,662
Total Devon CCG*	**351,844**	**380,817**
Total Combined Integrated Fund	**610,746**	**636,386**
Expenditure met from the Pooled Budget:		
Plymouth City Council	261,608	255,680
Devon CCG*	356,089	380,982
Total Expenditure on Integrated Fund	**617,697**	**636,662**
Net (Surplus)/Deficit on the Integrated Fund During the Year	**6,951**	**276**

The figures above include amounts of the Plymouth Better Care Fund, of whom the lead commissioners are:

Plymouth Better Care Fund	2018/19	2019/20
	£000	£000
Devon CCG* Lead Commissioner	9,443	10,334
Plymouth City Council Lead Commissioner	10,899	11,081
Total Plymouth Better Care Fund	**20,342**	**21,415**

**On 1 April 2019, NEW Devon CCG merged with South Devon CCG and is now known as Devon CCG.*

26 Members' Allowances

Analysis of Members' Allowances	2018/19	2019/20
	£000	£000
Basic allowance	614	627
Special responsibility	359	375
Travel, subsistence and other expenses	3	2
Total	**976**	**1,004**

Travel and subsistence and other expenses covers claims submitted 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 directly to a Member's corporate responsibility, or, if incurred in relation to a specific service issue, directly to the service concerned.

The Council is required to publish details of payments made to its Members and these can be found on the Council's website, or you can obtain a copy, in writing, from the Democratic Support Officer, Chief Executive Office, Ballard House, Plymouth PL1 3BJ.

27 Officers' Remuneration

27.1 Senior Employees

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

Senior Management Post	Financial Year	Salaries, Fees and Allowances	Pension Contributions	Total Remuneration	Notes
Salary over £150,000		£	£	£	
Tracey Lee - Chief Executive (Head of Paid Service)	2019/20	188,551	23,402	211,953	Includes election duty payments as the Returning Officer.
	2018/19	166,926	22,943	189,869	
Salary over £50,000 but less than £150,000					
Assistant Chief Executive	2019/20	123,762	15,988	139,750	Includes additional duties payments and election duty payments as Deputy Returning Officer.
	2018/19	97,827	13,475	111,302	
Director of Children's Services	2019/20	125,000	18,375	143,375	Post shared with Torbay Council until 10 January 2020.
	2018/19	119,280	17,534	136,814	
Director of Public Health	2019/20	107,837	15,507	123,344	
	2018/19	105,723	15,203	120,926	
Strategic Director of Customer and Corporate Services	2019/20	125,915	18,375	144,290	Includes election duty payments.
	2018/19	45,833	6,738	52,571	A new post holder commenced on 19 November 2018.
Strategic Director for People	2019/20	125,445	18,375	143,820	
	2018/19	9,940	1,461	11,401	A new post holder commenced on 1 March 2019.
	2018/19	95,778	13,269	109,047	The post holder left the Council on 28 February 2019.
Strategic Director for Place	2019/20	127,980	18,813	146,793	
	2018/19	127,980	18,813	146,793	
Service Director for Children, Young People and Families	2019/20	69,462	10,211	79,673	A new position and post holder commenced on 8 July 2019.
	2018/19	0	0	0	

Senior Management Post	Financial Year	Salaries, Fees and Allowances	Pension Contributions	Total Remuneration	Notes
Service Director for Customer Services and Service Centre	2019/20	88,443	0	88,443	Includes election duty payments.
	2018/19	86,419	0	86,419	
Service Director for Community Connections	2019/20	75,891	11,091	86,982	Includes election duty payments.
	2018/19	74,142	10,873	85,015	
Service Director for Economic Development	2019/20	97,526	14,479	112,005	
	2018/19	97,026	14,479	111,505	
Service Director for Education, Participation and Skills	2019/20	102,428	15,057	117,485	
	2018/19	102,412	15,055	117,467	
Service Director for Finance (Section 151 Officer)	2019/20	100,000	0	100,000	
	2018/19	108,093	0	108,093	Includes acting up payments for Interim Strategic Director for Transformation and Change
Service Director for HR and Organisational Development	2019/20	67,800	9,948	77,748	A new post holder commenced 15 July 2019. Includes election duty payments.
	2018/19	0	0	0	The post was vacant in 2018/19.
Service Director for Integrated Commissioning	2019/20	92,492	13,464	105,956	Includes election duty payments.
	2018/19	7,483	1,100	8,583	A new post holder commenced on 1 March 2019.
	2018/19	94,958	15,420	110,378	The post holder left the Council on 28 February 2019.
Service Director for Strategic Planning and Infrastructure	2019/20	98,496	14,479	112,975	
	2018/19	98,496	14,479	112,975	
Service Director for Street Services	2019/20	36,866	11,910	48,776	
	2019/20	16,416	2,413	18,829	The post holder left the Council on 31 May 2019.
	2018/19	98,496	14,479	112,975	
Head of Legal Services (Monitoring Officer)	2019/20	69,399	10,172	79,571	Role covered by the Assistant Head of Legal Services.
	2018/19	68,714	10,101	78,815	
	2018/19	12,031	1,404	13,435	The post holder left the Council on 15 May 2018.

Salaries, fees and allowances include expenses such as travel and subsistence. Local authorities receive a government grant for national election duties.

27.2 Remuneration Above £50,000

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

The following numbers do not include the senior management as disclosed in note 27.1.

Remuneration Bandings	2018/19		2019/20	
	Schools	Non-schools	Schools	Non-schools
£50,000 - £54,999	20	30	17	26
£55,000 - £59,999	7	18	12	28
£60,000 - £64,999	2	9	3	4
£65,000 - £69,999	6	12	3	8
£70,000 - £74,999	3	2	3	2
£75,000 - £79,999	1	1	4	2
£80,000 - £84,999	2	2	1	1
£85,000 - £89,999	3	1	2	2
£90,000 - £94,999	0	0	1	0
£95,000 - £99,999	0	1	0	1
Total	44	76	46	74

27.3 Employee Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Banding	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	Restated 2018/19	2019/20	Restated 2018/19	2019/20	Restated 2018/19	2019/20	Restated 2018/19	2019/20
							£000	£000
£00,001 - £20,000	6	24	17	33	23	57	259	481
£20,001 - £40,000	2	4	2	6	4	10	93	265
£40,001 - £60,000	0	1	0	1	0	2	0	96
£60,001 - £80,000	3	0	0	0	3	0	212	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	2	0	0	0	2	0	211
Total	11	31	19	40	30	71	564	1,053

The Council terminated the contracts of a number of employees in 2019/20, including school based staff, incurring liabilities of £1.053m (2018/19: £0.564m). This includes a sum of £0.288m to the pension fund in respect of pension strain payments (for example, of the payments in the £100,001 - £150,000 band, 79% relates to the strain payment). The Council's expenditure on Schools is primarily funded by the Dedicated Schools Grant Provided by the Department of Education.

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

28 External Auditor Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

Analysis of External Audit Costs	Restated 2018/19	2019/20
Audit Area:	**£000**	**£000**
Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor for the year	105	105
Additional fees payable to Grant Thornton LLP with regard to extended audit services carried out by the appointed auditor for the year	78	120
Fees payable in respect of other services provided by Grant Thornton LLP during the year	18	18
Total	**201**	**243**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

29 Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are shown in the following table:

Analysis of Dedicated Schools Grant		2019/20		
		Central Expenditure	Individual Schools Budget	Total
Note		**£000**	**£000**	**£000**
A	Final DSG before academy and high needs recoupment			205,531
B	Academy and high needs figure recouped			(135,840)
C	**Total DSG after Academy and high needs recoupment**			**69,691**
D	Brought forward from 2018/19			589
E	Carry-forward to 2020/21 agreed in advance			0
F	Agreed initial budgeted distribution in 2019/20	21,003	49,278	70,281
G	In year adjustments	(191)	402	211
H	**Final budgeted distribution**	**20,812**	**49,680**	**70,492**
I	Less actual central expenditure	23,316		23,316
J	Less actual ISB deployed to schools		47,378	47,378
K	Plus Local Authority contribution	0	0	0
L	**Carry-forward to 2020/21**	**(2,504)**	**2,302**	**(202)**

A. Final DSG figure before any amount has been recouped from the authority excluding the January 2020 early years block adjustment.

B. Figure recouped from the authority in 2019/20 by the DfE for the conversion of maintained schools into academies and for high needs payments made by ESFA.

C. Total DSG figure after academy and high needs recoupment for 2019/20.

D. Figure brought forward from 2018/19.

E. Any amount with the authority decided after consultation with the school forum to carry forward to 2020/21 rather than distribute in 2019/20. This may be the difference between estimated and final DSG for 2019/20 or a figure brought forward from 2018/19 which he authority is carrying forward again.

F. Budgeted distribution of DSG, adjusted for carry forward, as agreed with the Schools Forum.

G. Changes to the initial distribution, for example, adjustments for exclusions, or final early years block adjustment.

H. Budgeted distribution of DSG as at the end of the financial year.

I. Actual amount of central expenditure items in 2019/20.

J. Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the authority once it is deployed to schools budget shares).

K. Any contribution from the Local Authority in 2020/21 which has the effect of substituting for DSG in funding the Schools Budget.

L. Carry forward to 2020/21:

- For central expenditure – difference between final budgeted distribution of DSG and the actual expenditure.
- For ISB – difference between final budgeted distribution and the actual deployed to schools, plus any local authority contribution.
- Total – carry forward on central expenditure plus carry forward on ISB plus/minus carry forward to 2020/21 already agreed.

30 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

Credited to Taxation and Non-specific Grant Income and Expenditure	2018/19	2019/20
	£000	£000
Section 31 Grants	(7,738)	(6,277)
Capital Grants and Contributions	(22,840)	(10,143)
PFI Credits	(7,081)	(6,740)
Revenue Support Grant	0	(9,533)
Total	**(37,659)**	**(32,693)**

Grants Credited to Services	Restated 2018/19	2019/20
	£000	£000
Benefits Admin Grant	(1,011)	(935)
Dedicated Schools Grant and Other Education Grants	(68,926)	(69,955)
Housing Benefit Subsidy	(80,445)	(68,202)
Learning and Skills Council	(3,225)	(2,946)
Improved Better Care Fund	(6,980)	(10,454)
Transforming Social Care Grant	(803)	(2,194)
New Homes Bonus	(3,487)	(4,026)
Public Health Grant	(15,330)	(14,664)
Troubled Families Grant	(1,212)	(1,061)
Arts Council	0	(2,032)
COVID-19 Emergency Fund	0	(8,464)
Other Revenue Grants	(11,836)	(14,046)
Total	**(193,255)**	**(198,979)**

The table above now includes the grant figures for the 'Improved Better Care Fund' for 2018/19 and 2019/20. In the Statement of Accounts for 2018/19 this was omitted.

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the grantor. The grants are carried on the Balance Sheet as a creditor in a Grants Receipts in Advance Account and are split between Revenue and Capital Grant Receipts in Advance as follows:

Revenue Grant Receipts in Advance - Current Liabilities	2018/19	2019/20
	£000	£000
Urban Fringe Partnership Housing Capacity Grant	187	51
Business role on behalf of SWLEP	0	145
iMayflower	0	372
HB New Burdens (Welfare Reform)	0	188
ODPH Ringfenced Grant	0	261
Controlling Migration Fund (Plymouth Integrate II)	0	418
South Yard Marine Business Technology (16R16P01307)	0	168
One Public Estate Phase 4	0	203
City Deal - A deal for young people	0	477
Future High Streets Fund	0	130
ESCo/HNDU	0	208
Other	226	614
Total	**413**	**3,235**

Capital Grant Receipts in Advance - Current Liabilities	Restated 2018/19	2019/20
	£000	£000
Department for Transport	10,891	18,466
Environment Agency	285	285
Sport England	549	539
Football Foundation	1,009	1,190
Historic England	270	272
Heritage Lottery Fund	42	222
Growth and Housing Fund	4,419	4,470
Homes England	933	375
Ministry for Housing, Communities and Local Government	3,655	5,171
European Regional Development Funding	477	0
Oak Foundation	500	0
Garfield Weston Foundation	250	250
Department for Business, Energy and Industrial Strategy	289	289
S278 Agreements	199	199
Other	384	678
Total	**24,152**	**32,406**

Detailed notes on the restatements for 2018/19 can be found in Note 1 – Prior Period Adjustments.

Capital Grant Receipts in Advance - Long-term Liabilities	2018/19	2019/20
	£000	£000
Heritage Lottery Fund	11,112	12,123
Arts Council	2,298	3,150
European Regional Development Agency	0	1,007
Department for Transport	0	283
Section 106	19,581	16,455
Growth Deal	22,623	43,538
Homes England	11,920	11,920
Total	**67,534**	**88,476**

31 Related Party Transactions and Partnerships

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

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

Related Party Transactions	Details of Arrangement	2018/19			2019/20		
		Receipts	Payments	Outstanding Balances/ Commitments	Receipts	Payments	Outstanding Balances/ Commitments
Subsidiaries, Associates and Joint Arrangements		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Subsidiaries							
CATERed Ltd	CATERed is a co-operative trading company which is jointly owned by 67 local schools and Plymouth City Council. Plymouth City Council is the majority shareholder with 51% of the shares.	(234)	1,307	107	(160)	1,446	(182)
Plymouth Investment Partnerships Ltd (PIP)	PIP invests in the promotion, assistance and establishment of business to improve the employment and economy of Plymouth and its surrounding area. Plymouth City Council has full ownership of PIP.	(17)	6	0	(264)	1	0
Joint Arrangements							
DELT Shared Services Ltd	DELT provide ICT and systems to partners. DELT is jointly and equally controlled and owned by Plymouth City Council and NEW Devon CCG.	(243)	10,986	219	(536)	11,998	(154)
Plymouth Science Park Ltd	Plymouth Science Park is a science and technology park for businesses and provide provision of support, advisory and facilities management services. Plymouth Science Park is jointly and equally owned by Plymouth City Council and Plymouth University.	(50)	5	1,956	(62)	27	0

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of transactions with Government Departments are set out in note 30.

Members and Officers

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

The total of members allowances paid in 2019/20 is disclosed in note 26.

Members and Officers of the Council have returned 70 declarations of Related Party Transactions for 2019/20, a response rate of 83 per cent.

Other Interests in Companies

There are a number of companies which are also linked to the Council which fall under the definition of an assisted organisation. This includes the provision of financial assistance to voluntary organisations. However they are not considered material in financial terms.

Examples include Access Plymouth, Plymouth Citizens Advice Bureau and the Shekinah Mission. Independent Futures and the Plymouth City Centre Company are examples of larger organisations supported by the Council.

- ### DELT Shared Services Ltd

  DELT was launched 1 October 2014 and is a publicly owned private limited company (09098450). It was set up to deliver ICT services and systems to its partners; Plymouth City Council and Northern, Eastern, Western (NEW) Devon Clinical Commissioning Group. 2019/20 was the fifth year in which DELT was operational.

  DELT is jointly and equally controlled by its partners with both partners carrying equal full voting rights. The collaborative arrangement is classed as a joint venture.

  For more information about DELT and its financial performance, please visit the DELT Services website.

- ### CATER^{ed} Ltd

  CATER^{ed} is a co-operative trading company (09355912) which is jointly owned by Plymouth City Council and 67 local schools, providing all school meals in the city. CATER^{ed} is 49% owned by schools and 51 per cent by the Council and serves almost 2.5 million meals to Plymouth school children every year.

  Plymouth City Council is the majority shareholder of CATER^{ed} with 51% of shares and voting rights allocated one vote per share. The collaborative arrangement is classed as a subsidiary of the Council.

  For more information about CATER^{ed} and its financial performance, please visit the CATER^{ed} website.

Joint Committees

The Council is a member of a couple of joint committees where local authorities have joined together to provide a service. These are listed as follows:

- ### Devon Audit Partnership

  From April 2009 Plymouth City Council set up a Joint Committee with Devon County Council and Torbay Council for the provision of a shared internal audit service. The service is also able to provide audit services to other organisations. This is a shared service arrangement and is constituted under section 20 of the Local Government Act 2000.

Devon County Council is the host Council for the Joint Committee with all staff now employed by Devon County Council. Assets and Liabilities of the Joint Committee are split on an agreed basis (number of FTE's on inception of the Committee); Plymouth's share equates to 27% and its contribution to the partnership for 2019/20 was £0.332m (2018/19: £0.325m).

- **South West Devon Waste Disposal Partnership**

  Plymouth City Council, Torbay Council and Devon County Council are now working together and have jointly contracted a PFI project for an Energy from Waste Plant (based in Plymouth) to dispose of residual waste collected by the three Councils. As part of the Joint Working Agreement between the three Councils the South West Devon Waste Partnership Joint Committee has been established to facilitate the procurement and subsequent operation and management of the facilities (by the selected contractor). The Plant became operational in April 2015.

  Plymouth is the Lead Authority with the expenditure associated with this project is incurred and then allocated on an estimated tonnage share basis to Torbay and Devon County Councils. Plymouth's share of the expenditure is reflected within the cost of services on the Comprehensive Income and Expenditure Statement.

For more information about external bodies which Plymouth City Council have an interest in please visit the Council's website.

32 Capital Expenditure and Capital Financing

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

Capital Financing Requirements	2018/19	2019/20
	£000	£000
Opening Capital Financing Requirement 1 April	**463,669**	**568,585**
Capital Investment		
Property, Plant and Equipment	68,711	65,733
Investment Properties	59,198	47,576
Heritage Assets	0	217
Assets Held for Sale	412	154
Initial recognition of Donated Assets	0	256
Revenue Expenditure Funded from Capital Under Statute	8,528	10,588
Initial recognition of RIF loan liability	6,005	0
Initial recognition of share purchase	0	60
Other capital expenditure	679	1,426
Total	**143,533**	**126,010**
Sources of Finance		
Capital Receipts	(6,356)	(1,661)
Other movements in Long-Term Debtors	(348)	185
Grants and Contributions applied in year	(24,882)	(14,425)
Revenue and Other Funds	(939)	(523)
Minimum Revenue Provision	(7,280)	(10,872)
Use of landfill provision	288	309
Repayment of conditional grant	900	0
Total	**(38,617)**	**(26,987)**
Closing Capital Financing Requirement 31 March	**568,585**	**667,608**
Explanation of Movement in Year		
Increase in underlying need to borrow	102,241	92,271
Increase in underlying need to borrow resulting from other changes in capital financing requirement	2,675	6,752
Increase/Decrease in Capital Financing Requirement	**104,916**	**99,023**

33 Leases

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

Operating Leases - Council as a Lessor	31 March 2019	31 March 2020
	£000	£000
Not later than one year	10,976	12,028
Later than one year and not later than five years	33,511	39,789
Later than five years	272,449	286,353
Total	**316,936**	**338,170**

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

34 Private Finance Initiatives (PFI) and Similar Contracts

34.1 Schools PFI

The Council makes an agreed payment each year, part of which is subject to an annual inflation increase, and can be reduced if the contractor fails to meet availability and performance standards in any one year but which is otherwise fixed. A total payment of £5.622m was made in 2019/20 (2018/19: £5.559m). Payments remaining to be made under the PFI contract at 31 March 2020, excluding any estimation of inflation and availability/performance deductions, are as follows:

PFI Outstanding Liabilities	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Total payments to operator in 2019/20	2,452	993	2,177	5,622
Payable in 2020/21	2,555	1,042	2,090	5,687
Payable within two to five years	10,818	5,262	7,348	23,428
Payable within six to ten years	15,856	8,784	6,309	30,949
Payable within eleven to fifteen years	11,756	8,844	1,738	22,338
Total	**40,985**	**23,932**	**17,485**	**82,402**

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

Movement in PFI Liability	2018/19	2019/20
	£000	£000
Balance outstanding 1 April	25,904	24,925
Payments during the year	(979)	(993)
Balance Outstanding 31 March	**24,925**	**23,932**

The Council has secured PFI credits to the value of £53m, to which interest is added resulting in total Government support of £105.871m over the contract period, and this together with an annual contributions from the Council and the schools which will be used to meet the running costs of the contract, including the loan repayments.

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

34.2 South West Devon (SWD) Energy from Waste (EfW) Partnership

2015/16 was the first year of operation of the EfW public/private service concession arrangement whereby the SWD local authority partnership granted the right to MVV Umwelt (MVVU), the operator, to treat and render inert waste that otherwise would have been disposed of in landfill sites. The SWD partnership comprising Plymouth City Council, Devon County Council and Torbay Council appointed MVVU under a fixed price contract to finance, construct and design the 245,000 tonne capacity facility and to maintain it to a minimum acceptable condition over a 50 year term.

PFI Outstanding Liabilities	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Total payments to operator in 2019/20	3,853	94	3,645	7,592
Payable in 2020/21	3,927	197	3,632	7,756
Payable within two to five years	16,741	1,778	14,235	32,754
Payable within six to ten years	25,097	4,218	16,306	45,621
Payable within eleven to fifteen years	27,394	10,568	12,633	50,595
Payable within sixteen to twenty years	29,860	16,255	5,222	51,337
Payable within twenty one to twenty five years	1,033	707	38	1,778
Total	**104,052**	**33,723**	**52,066**	**189,841**

The EfW facility is located on MOD land at Camel's Head, North Yard in Devonport Dockyard, Plymouth. The SWD partnership specifies the activities offered by the facility, the opening hours and the expected minimum standard of service to be provided by the operator. MVVU is required to receive all the residual waste from the defined area of the local authority partnership for which the councils are obliged to pay a fixed gate fee based on a guaranteed minimum tonnage of waste, with an additional charge for any extra waste delivered by the councils over and above the contractual waste.

Movement in PFI Liability	2018/19 Plymouth Share	2018/19 Deferred Income	2019/20 Plymouth Share	2019/20 Deferred Income
	£000	£000	£000	£000
Balance outstanding 1 April	34,069	51,121	33,819	48,797
Payments during the year	(250)	(2,324)	(94)	(2,324)
Balance Outstanding 31 March	**33,819**	**48,797**	**33,725**	**46,473**

Under a separate 25 year agreement between the operator and the MOD, MVVU processes the waste to provide environmentally sustainable heat and electricity to HM Naval Base Devonport. Power is sold at a capped, index linked, guaranteed base price, with any surplus electricity being exported to the National Grid based on a long-term Power Purchase Agreement (PPA) to a company within the MVV group.

The SWD partnership receives 50% of the income earned by EVVU from any excess waste it processes or any excess energy it supplies to third parties. EMVU 3rd party revenues are unrestricted and the SWD partnership is obliged to compensate the operator for any loss of third party income should the councils exceed their contractual maximum tonnage.

Income and expenditure, assets and liabilities are recorded in each of Plymouth City Council, Devon County Council and Torbay Council's Statements of Accounts respectively in the ratio 48:35:17. Plymouth City Council's share of the total construction costs of £195.324m is carried at depreciated replacement cost in its Balance Sheet as detailed in note 16.1 (Property, Plant and Equipment) together with a corresponding liability.

35 Pensions

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until the employees

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

35.1 Pension Scheme Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension scheme administered by Capita Teachers Pensions on behalf of the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the cost by making contributions based on a percentage of member's pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2019/20, Plymouth City Council paid £3.375m to Teachers' Pensions in respect of teachers' retirement benefits (2018/19: £2.804m). There were no contributions remaining payable at the year-end. In 2019/20 the minimum member contribution was 7.4 per cent of salary, the maximum was 11.7 per cent.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 35.2.

35.2 Defined Benefit Pension Schemes

Local Government Pension Scheme (LGPS)

Plymouth City Council and Tamar Bridge and Torpoint Ferry Joint Committee participate in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme with benefits earned up to 31 March 14 being linked to final salary. Benefits earned after 31 March 14 are based on Career Average Revalued Earnings (CARE). The Plymouth City Council scheme is administered by Devon County Council, however, the Joint Committee Scheme is administered by Cornwall Council and so separate notes have been included to represent Plymouth City Council's 50 per cent interest.

As a result of the High Court's recent Lloyds ruling on the equalisation of Guaranteed Minimum Pension (GMP), a number of pension schemes have made adjustments to accounting disclosures. Barnett Waddingham (Council actuaries) have made the valuation assumption that they do not need to make any adjustments to the value placed on the liabilities as a result of this ruling.

The McCloud/Sargeant cases relate to age discrimination within the Judicial and Fire Pension Schemes respectively. On the 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service pension schemes, including LGPS. The Scheme Advisory Board with consent from MHCLG commissioned the Government Actuary Department (GAD) to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities. This followed a CIPFA briefing note which said that local authorities should consider the materiality of the impact. The estimated cost of the impact of the McCloud/Sargeant judgement is calculated at £6.231m. This figure has been included within the past service cost in the statement of profit or loss.

PENSION INFORMATION FOR PLYMOUTH CITY COUNCIL SCHEME (PCC)

Transactions relating to post-employment benefits

The Council recognises the cost of retirement benefits in the surplus/deficit on continuing services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, and the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the CIES and the General Fund Balance via the MiRS during the year:

Comprehensive Income and Expenditure Statement	2018/19	2019/20
	£000	£000
Cost of Services		
Service cost comprising:		
current service cost	27,343	28,668
past service cost	296	7,048
(gain)/loss from settlements	(7,690)	634
Financing and Investment Income and Expenditure		
Net interest expense	13,774	11,867
Other Operating Expenditure		
Administration expenses	448	515
Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services	**34,171**	**48,732**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
return on plan assets (excluding the amount included in the net interest expense)	(22,912)	78,635
actuarial gains and losses arising on changes in demographic assumptions	(70,450)	(16,058)
actuarial gains and losses arising on changes in financial assumptions	57,376	(115,092)
experience gain/(loss) on defined benefit obligation	0	8,945
other	0	(4,264)
Total Premeasurements Recognised in the Comprehensive Income and Expenditure Statement	**(35,986)**	**(47,834)**
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**(1,815)**	**898**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(34,171)	(48,732)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:		
employers' contribution payable to the scheme	19,495	85,278
retirement benefits payable to pensioners	3,254	3,231
adjustment re: net increase/(decrease) per LGR pension liability	1,128	1,175

35.3 Assets and Liabilities in Relation to Post-Employment Benefits (PCC)

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

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

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2018/19	2019/20
	£000	£000
Opening Balance at 1 April	**(1,245,445)**	**(1,250,004)**
Current service cost	(27,343)	(28,668)
Interest cost	(31,088)	(29,652)
Contributions by scheme participants	(5,326)	(5,589)
Re-measurement (gain) and losses:		
actuarial gains/losses arising from changes in demographic assumptions	70,450	16,058
actuarial gains/losses arising from changes in financial assumptions	(57,376)	115,092
experience loss/(gain) on defined benefit obligation	0	(8,945)
Past service costs, including curtailments	(296)	(7,048)
Liabilities assumed/(extinguished) on settlements	11,567	(1,518)
Benefits paid	32,783	34,672
Unfunded pension payments	2,070	2,082
Closing Present Value of Liabilities	**(1,250,004)**	**(1,163,520)**

Reconciliation of the Movement in the Fair Value of Scheme (Plan) Assets	2018/19	2019/20
	£000	£000
Opening Fair Value of Scheme Assets	**687,702**	**713,571**
Interest income	17,314	17,785
Re-measurement gain/(loss):		
the return on plan assets, excluding the amount included in the net interest expense	22,912	(78,635)
other actuarial gains/(losses)	0	4,264
Administration expenses	(448)	(515)
Contributions from employer	19,495	85,278
Contributions from employees into the scheme	5,326	5,589
Benefits paid	(34,853)	(36,754)
Settlement prices received/(paid)	(3,877)	884
Closing Present Value of Assets	**713,571**	**711,467**
Closing Balance at 31 March	**(536,433)**	**(452,053)**

35.4 Scheme History (PCC)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £452m is shown as a negative balance and therefore has an impact on the net worth of the Council as recorded in the Balance Sheet. However the negative balance that arises measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 is £12.595m.

35.5 Basis for Estimating Assets and Liabilities (PCC)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2020.

Basis for Estimating Assets and Liabilities	2018/19	2019/20
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	22.4	22.9
women	24.4	24.1
Longevity at 65 for future pensioners:		
men	24.1	24.3
women	26.2	25.5
Rate of inflation (CPI)	2.40%	1.90%
Rate of increase in salaries	3.90%	2.90%
Rate of increase in pensions	2.40%	1.90%
Rate for discounting scheme liabilities	2.40%	2.35%

Impact on the Defined Benefit Obligation in the Scheme	Decrease in Assumption	No Change	Increase in Assumption
	£000	£000	£000
Longevity (increase or decrease in 1 year)	1,120,522	1,163,520	1,208,267
Rate of increase in salaries (increase or decrease by 0.1%)	1,161,804	1,163,520	1,165,251
Rate of increase in pensions (increase or decrease by 0.1%)	1,142,401	1,163,520	1,185,059
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,186,709	1,163,520	1,140,807

35.6 Total Assets (PCC)

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

Categories by Proportion of the Total Assets Held	2018/19	2019/20
	%	%
Equities	73	69
Gilts	3	4
Property	13	13
Cash	2	1
Other investments	9	13
Total	**100**	**100**

35.7 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

Pension Assets and Liabilities Recognised in the Balance Sheet	2018/19	2019/20
	£000	£000
Present value of the defined benefit obligation	1,211,830	1,128,448
Fair value of plan assets	(713,571)	(711,467)
Net Liability	**498,259**	**416,981**
Other movements in the liability	38,174	35,072
Net Liability Arising from Defined Benefit Obligation	**536,433**	**452,053**

PENSION INFORMATION FOR TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE (TBTF)

35.8 Transactions in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement (TBTF)

Comprehensive Income and Expenditure Statement	2018/19	2019/20
	£000	£000
Cost of Services		
Service cost	618	740
Financing and Investment Income and Expenditure		
Net interest expense	102	113
Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services	**720**	**853**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
return on plan assets (excluding the amount included in the net interest expense)	(389)	680
actuarial gains and losses arising on changes in demographic assumptions	0	(522)
actuarial gains and losses arising on changes in financial assumptions	746	(1,155)
experience gain/(loss) on defined benefit obligation	(10)	(578)
Total Premeasurements Recognised in the Comprehensive Income and Expenditure Statement	**347**	**(1,575)**
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**1,067**	**(722)**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefit in accordance with the Code	(720)	(854)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:		
Employers' contribution payable to the scheme	383	404

35.9 Assets and Liabilities in Relation to Post-Employment Benefits (TBTF)

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2018/19	2019/20
	£000	£000
Opening Balance at 1 April	**(12,476)**	**(13,946)**
Current service cost	(618)	(700)
Past service cost	0	(40)
Interest cost	(330)	(342)
Contributions from scheme participants	(106)	(109)
Re-measurement (gain) and losses:		
actuarial gains/losses arising from changes in demographic assumptions	0	521
actuarial gains/losses arising from changes in financial assumptions	(747)	1,155
experience loss/(gain) on defined benefit obligation	10	579
Benefits paid	321	354
Closing Present Value of Liabilities	**(13,946)**	**(12,528)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2018/19	2019/20
	£000	£000
Opening fair value of scheme assets	**8,698**	**9,483**
Interest income	228	229
Re-measurement gain/(loss):		
the return on plan assets, excluding the amount included in the net interest expense	389	(680)
Contributions from employer	383	404
Contributions from employees into the scheme	106	109
Benefits paid	(321)	(354)
Closing Fair Value of Scheme Assets	**9,483**	**9,191**
Closing Balance at 31 March	**(4,463)**	**(3,337)**

The liabilities show the underlying commitments that the Joint Committee has to pay in the long run to pay post-employment (retirement) benefits. The total liability of £3.337m has an impact on the net worth of the Council as recorded in the Balance Sheet. However the negative balance that arises measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

The total contributions expected to be made to the Local Government Pension Scheme via the Joint Committee in the year to 31 March 2021 is £0.818m.

35.10 Scheme History (TBTF)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. The Cornwall Council pension scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with the

estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2020.

35.11 Basis for Estimating Assets and Liabilities (TBTF)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2020.

Basis for Estimating Assets and Liabilities	2018/19	2019/20
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	22.1	21.4
women	24.5	23.6
Longevity at 65 for future pensioners:		
men	24.0	22.3
women	26.0	25.1
Rate of increase in salaries	2.50%	1.90%
Rate of increase in pensions	2.40%	1.90%
Rate for discounting scheme liabilities	2.60%	2.30%

36 Contingent Assets and Liabilities

36.1 Contingent Assets

The Council has the following contingent assets to report:

Plymouth Airport

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

36.2 Contingent Liabilities

The Council has the following contingent liabilities to report.

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 included an environmental warranty whereby the Council has agreed to warrant that no dangerous substance is present in the

property that has transferred or that no part of the Property has been or could lawfully be designated as contaminated land; the Council is currently exploring options around mitigating this liability through an insurance policy.

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2020

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to Local Authorities and the Government of Council Tax and Non-Domestic Rates.

2018/19				Note	2019/20		
Business Rates	Council Tax	Total			Business Rates	Council Tax	Total
£000	£000	£000	**Income**		£000	£000	£000
0	(128,343)	(128,343)	Council tax receivable	1	0	(136,264)	(136,264)
(81,900)	0	(81,900)	Business rates receivable	2	(89,155)	0	(89,155)
(81,900)	**(128,343)**	**(210,243)**			**(89,155)**	**(136,264)**	**(225,419)**
			Expenditure				
			Apportionment of Previous Year's Surplus/ (Deficit)				
(1,497)	0	(1,497)	Central Government		(6,075)	0	(6,075)
(1,467)	618	(849)	Plymouth City Council		(8,985)	1,655	(7,330)
0	78	78	Devon and Cornwall Police and Crime Commissioner		0	212	212
(30)	36	6	Devon and Somerset Fire and Rescue Service		(152)	95	(57)
(2,994)	**732**	**(2,262)**			**(15,212)**	**1,962**	**(13,250)**
			Precepts, Demands and Shares				
0	0	0	Central Government		44,993	0	44,993
87,741	105,767	193,508	Plymouth City Council		44,093	110,807	154,900
0	13,543	13,543	Devon and Cornwall Police and Crime Commissioner		0	15,533	15,533
886	6,043	6,929	Devon and Somerset Fire and Rescue Service		900	6,331	7,231
88,627	**125,353**	**213,980**			**89,986**	**132,671**	**222,657**
			Charges to the Collection Fund				
228	0	228	Renewable Energy Disregard		218	0	218
294	398	692	Write offs of uncollectable amounts		593	714	1,307
(1)	978	977	Increase/(Decrease) in Bad Debt Provision		111	1,071	1,182
(5,571)	0	(5,571)	Increase/(Decrease) in Provision for Appeals		1,300	0	1,300
317	0	317	Cost of collection allowance		314	0	314
(4,733)	**1,376**	**(3,357)**			**2,536**	**1,785**	**4,321**
(1,000)	**(882)**	**(1,882)**	**(Surplus)/Deficit for the Year**		**(11,845)**	**154**	**(11,691)**
			Collection Fund Balance				
15,143	(2,016)	13,127	Balance as at 1 April		14,143	(2,898)	11,245
(1,000)	(882)	(1,882)	(Surplus)/Deficit for the year (as above)		(11,845)	154	(11,691)
14,143	**(2,898)**	**11,245**	**Balance as at 31 March**		**2,298**	**(2,744)**	**(446)**
			Allocated to:				
6,075	0	6,075	Central Government		1,684	0	1,684
7,927	(2,437)	5,490	Plymouth City Council		591	(2,292)	(1,701)
0	(322)	(322)	Devon and Cornwall Police and Crime Commissioner		0	(322)	(322)
141	(139)	2	Devon and Somerset Fire and Rescue Service		23	(130)	(107)
14,143	**(2,898)**	**11,245**	**Total Allocated**		**2,298**	**(2,744)**	**(446)**

NOTES TO THE COLLECTION FUND

1 Council Tax Income

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based on an estimated 1 April 1991 value for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority and the City Council for the forthcoming year and dividing this by the Council Tax base. The tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and estimated collection rates: 73,172 in 2019/20 (2018/19: 71,932).

The basic amount of Council Tax for a Band D property (2019/20: £1,813.14) is multiplied by the proportion specified for the particular band to give an individual amount due. The calculation of the Council Tax Base is shown in the following table:

Band	No of Properties Before Discounts	No of Properties After Discounts	Band D Equivalents	Estimated Collection Rates	Adjusted Band D Equivalents
A	44,602	29,646	19,753	98.0%	19,358
B	30,982	25,330	19,701	98.0%	19,307
C	21,831	19,522	17,353	98.0%	17,006
D	9,037	8,321	8,321	98.0%	8,155
E	4,707	4,451	5,441	98.0%	5,332
F	1,716	1,630	2,355	98.0%	2,308
G	542	510	851	98.0%	834
H	26	19	37	98.0%	36
	113,443	**89,429**	**73,812**		**72,336**
Adjustment for MOD Properties					836
Tax Base Totals			**73,812**		**73,172**

The Council Tax Base was calculated at the time the 2019/20 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 £132.671m (£1,813.14 x 73,172). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £136,264m (2018/19: £128.343m).

2 Income from Business Ratepayers

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government, which was 50.4p in 2019/20 (2018/19: 49.3p).

The administration of NDR is governed by the Business Rates Retention Scheme which was introduced in 2013/14. This aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility of the NDR tax base and non-collection of rates due. In the case of Plymouth, the retained proportion of NDR income is 49 per cent. The remainder is distributed to preceptors: 1 per cent to the Devon and Somerset Fire and Rescue Authority (DSFRA) and 50 per cent to Central Government.

The business rates shares payable for 2019/20 were estimated before the start of the financial year as £44.937m to Central Government, £44.093m to DSFRA and £0.9m to Plymouth City Council. These

sums have been paid during 2019/20 and charged to the Collection Fund in year and include the previous year's deficit.

When the scheme was introduced the Government set a baseline funding level (based on local demand for services) for each authority and applied the system of tariffs and top-ups to ensure all authorities receive their baseline amount. In 2019/20 Plymouth had a baseline amount of £57.4m and received a tariff of £14.598m which was charged to the General Fund and included in note 14.

In addition to the top-up and tariffs, a safety net figure is calculated by Central Government. This mechanism is designed to protect local authorities from large fluctuation in their business rates income. The safety net threshold for Plymouth is £53.095m. As our adjusted retained income is above this level no safety net payment was due to Plymouth for 2019/20.

Section 31 Grant funding for Business Rate reliefs awarded by Central Government in 2019/20 was £6.074m.

Under the rates retention scheme local authorities became liable for their share of the liability arising from the in-year and backdated impact of successful business rate appeals. Based on the analyses of previous year trends and the list of outstanding appeals provided by the VOA as at 31 March 2020 the Council included a provision of £1.889m.

For 2019/20, the total non-domestic rateable value at the end of the year was £230.8m (2018/19: £229.355m).

The total income from ratepayers in 2019/20 was £89.155m (2018/19: £81.900m).

This sum included £1.524m of transitional protection payments from ratepayers, which under regulations should have a neutral impact on the Business Rates Retention Scheme and will be repaid to Central Government.

3 Precepts and Demands

3.1 Council Tax

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

3.2 Non-Domestic Rates

As described in note 2 above, the administration of NDR is governed by the Business Rate Retention Scheme.

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

2020/21 STATEMENT OF ACCOUNTS

PLYMOUTH
CITY COUNCIL

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

INTRODUCTION

This statement summarises the Council's financial performance during 2020/21 showing expenditure for all services during the year and the Council's financial position as at 31 March 2021.

It should be noted that this is an updated version of the draft 2020/21 accounts, replacing the version of the draft accounts that were published in July 2021 on the Council's website.

Plymouth City Council is a large and diverse organisation and the accounts contained in this document are by their nature both technical and complex, so this narrative aims to explain some of the statements and provides a summary of the Council's financial performance for 2020/21 and its financial prospects. Where necessary, estimates and judgements have been made in preparing these accounts which comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The COVID-19 pandemic has resulted in the most widespread adjustment to our way of life. The Council, through strong financial management, was able to deliver a balanced budget in, what has been, probably the most challenging year the Council has ever faced.

BACKGROUND

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

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

The draft accounts for 2020/21 have needed to be revised prior to the external audit being completed by Grant Thornton. The original accounting treatment was as a capital transaction; our auditors have advised we needed to reflect the transaction as a revenue transaction. The revenue treatment meant that the Council's income for 2019/20 and 2020/21 was insufficient to meet its expenditure. Due to this change in accounting treatment, it has been necessary for the Council to request a retrospective Capitalisation Direction from the Department for Levelling Up, Housing and Communities (DLUHC). This support is provided via the Exceptional Financial Support Framework which has been agreed in principle. The Capitalisation Direction will permit the Council to meet the revenue cost through capital resources. The draft accounts for 2021/22, 2022/23 and 2023/24 will also need to be revised to reflect the change in accounting for this transaction. The revised statements will be presented to the Audit and Governance Committee at the earliest opportunity. There is on-going national dialogue about the backlog of unaudited accounts and how to resolve the situation. For Plymouth this means we are awaiting further guidance on 2022/23 and the recently published 2023/24 Accounts.



With the required amendments now actioned and agreed with our external auditors, I am pleased to re-present our Annual Financial Report and Statement of Accounts for 2020/21. The Narrative Report provides me with an opportunity to set the financial scene and to highlight the financial challenges currently being faced by the Council as it strives to continue to provide high quality services to Plymouth residents with diminishing financial resources. The Statement of Accounts aim to not only present the Council's outturn financial position for 2020/21, but also to provide a summary of Plymouth City Council's financial affairs for the 2020/21 financial year and of our financial position as at 31 March 2021.

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

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

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

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

What does this mean?

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

(i) *Has the authority appropriately ring-fenced revenue reserves where it is statutorily required to?* Yes, we have ring-fenced as required.

(ii) *Has the authority released all non-ringfenced voluntarily earmarked reserves and disclosed these movements?* The deficit position reflects the requirement to charge the £72m transaction to revenue, rather than capital. We have taken the approach, as agreed with our external auditors, to make this retrospective change to one reserve balance only, namely the "working balance". From a previous positive balance of £8.395m reported in the 1st set of Draft Accounts, we are now showing a negative balance of £64.980m. This is considered the cleanest way to show this transaction, given that there is an expectation that the Capitalisation Direction will be applied in 2024/25 and the £72m will again revert to the balance sheet as a capital transaction. The movement has been fully documented.

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

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

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

The Finance Service continues to review its processes and procedures, taking on board the recommendations and comments made by the External Auditor as part of the 2020/21 accounts audit.

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

THE PLYMOUTH PLAN 2014 - 2034

WHAT WE WANT TO ACHIEVE...

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

HEALTHY CITY
People live in happy, healthy, safe and aspiring communities

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

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

HOW WILL WE KNOW WE'RE SUCCESSFUL?

Plymouth is recognised as a **key regional economic** driver	People get the **best start to life,** enjoy a better quality of life and increased life expectancy	Plymouth's population has grown to more than **300,000**	Plymouth offers a diverse **cultural experience** with a major events programme
Plymouth has **high quality strategic** services and facilities	More people are taking care of themselves or **finding care** within their community	Plymouth continues to be recognised as a **leading Green City**	Plymouth is internationally renowned as a leading UK **tourist destination**
The quality and resilience of Plymouth's **transport and digital connectivity** has improved	More residents are contributing to and **involved in their community**	Plymouth has more vibrant, productive and **innovative businesses**	Plymouth is recognised internationally for **marine science** and high technology manufacturing
Plymouth's strategic **defence role** has been safeguarded and strengthened	There is **good quality health** and social care for people who need it	People have the skills to be **school ready and work ready** to meet the needs of the city	Plymouth has a reputation for **world class universities** and research institutions
Plymouth's stunning setting and **natural assets** have been enhanced	Plymouth has good quality neighbourhoods where people feel **safe and happy**	Plymouth has the right environment for **growth and investment**	Plymouth has a reputation as a **welcoming and multicultural city** with diverse communities

WHAT PRINCIPLES WILL GUIDE US?




THE PLYMOUTH PLAN 2014 - 2034
TO TAVISTOCK
A386
DERRIFORD AND NORTHERN CORRIDOR GROWTH AREA
DARTMOOR
TAMAR BRIDGE
SALTASH
A38
A374
TORPOINT
CITY CENTRE AND WATER FRONT GROWTH AREA
RAILWAY STATION AREA OF SEARCH
EASTERN CORRIDOR GROWTH AREA
A379
BRIXTON
KEY
Hospital
Sports hub
Improving health inequalities
Port
Transport capacity
Sustainable transport
Train Station
Coach Station
Park and Ride
Transport quality gateway
Transport connectivity
University
Primary school
Countryside/Community Park
European Marine Site
District heating
Housing
Ocean City
City Centre
District Centre
Strengthening communities
Visitor economy
Minerals
Distribution
Business/energy park
Marine industries
Dockyard
Offices
Knowledge industries
Medical sector
Utilities infrastructure
Heritage assets
Cultural hub
Events
Waste recycling
Local Centre
Community safety
Urban fringe
live within 400m of a bus stop
JOBS
20,400 new jobs (Plymouth and SW Devon)
population of 300,000
1,001 days best support at the start of child's life
800m to nearest primary school
243,000 sqm of employment space
1 hectare (nearly 2 football pitches) of nature reserve per 1,000 people
0.15 hectare per 1,000 people of allotments/ community food growing space
400m walking distance to nearest local play space
reduce carbon emissions by 50%
less than 2% of our waste going to landfill
0.79 hectare per 1,000 people of playing pitch
4,550 new affordable homes
19,000 new homes
800m to nearest convenience store
25Mbps to all premises access of broadband
400m to nearest accessible natural space
www.theplymouthplan.co.uk
in association with the Plymouth & South West Devon Joint Local Plan
www.plymswdevonplan.co.uk

OUR PLAN
A CITY TO BE PROUD OF

PLYMOUTH CITY COUNCIL

CITY VISION
Britain's Ocean City

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

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

OUR VALUES

WE ARE DEMOCRATIC
We will provide strong community leadership and work together to deliver our common ambition.

WE ARE RESPONSIBLE
We take responsibility for our actions, care about our impact on others and expect others will do the same.

WE ARE FAIR
We are honest and open in how we act, treat everyone with respect, champion fairness and create opportunities.

WE ARE CO-OPERATIVE
We will work together with partners to serve the best interests of our city and its communities.

OUR PRIORITIES

A GROWING CITY
- A clean and tidy city
- An efficient transport network
- A broad range of homes
- Economic growth that benefits as many people as possible
- Quality jobs and valuable skills
- A vibrant cultural offer
- A green, sustainable city that cares about the environment.

A CARING COUNCIL
- Improved schools where pupils achieve better outcomes
- Keep children, young people and adults protected
- Focus on prevention and early intervention
- People feel safe in Plymouth
- Reduced health inequalities
- A welcoming city.

HOW WE WILL DELIVER

Listening to our customers and communities.	Providing quality public services.	Motivated, skilled and engaged staff.	Spending money wisely.	A strong voice for Plymouth regionally and nationally.

Plymouth
Britain's Ocean City

www.plymouth.gov.uk/ourplan

AIMS, OBJECTIVES AND ACHIEVEMENTS

The Statement of Accounts should be read in conjunction with the Council's Corporate Plan and Corporate Plan Performance Report, which is focused on our mission to 'make Plymouth a fairer city, where everyone does their bit'. That means everyone working together towards our shared ambition to be a growing city and a caring Council. Our Corporate Plan 2018 to 2022 has a greater emphasis on ensuring Council decisions are driven by our shared values and priorities. We want to explore new ways of working and making the best use of our assets as we balance the books.

PLYMOUTH CITY COUNCIL DEMOCRACY AND GOVERNANCE

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

The Council is made up of 57 councillors for 20 wards. The political make-up of the Council during 2020/21 was:

- Labour Party – 30 Councillors
- Conservative Party – 25 Councillors
- Independent – 2 Councillors

The Council is controlled by the Labour Party and has adopted the 'Strong' Leader and Cabinet model as its political management structure. The Leader of the Council (Cllr Tudor Evans OBE) has responsibility for the appointment of Members of the Cabinet (also known as the Executive), the allocation of Portfolios and the delegation of executive functions. The Cabinet is the main decision making body of the Council. It is responsible for policies, plans and strategies, which must be implemented within the budgetary and policy framework adopted by Full Council. The Council elects the Leader each year at the Annual General Meeting (usually held in May).

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

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

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

Plymouth – Britain's Ocean City

Plymouth City Council is a unitary local authority responsible for over 300 local services including transport, social care and education. With a resident population of 263,100 (2017) and a further 100,000 residents in the travel to work area, Plymouth is the largest city on the South coast and the 15th biggest city in the country. Plymouth is also the most significant urban area on the south west peninsular with an economic output of £5.2 billion, supporting 107,800 jobs and is the key urban hub of the Heart of the South West Enterprise Partnership making it a key location for growth. The city

has the highest concentration of manufacturing and engineering employment in the whole of the South of England. 20% of the UK's blue–tech marine companies are based here.

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

Regional Influence

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

Future Vision

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

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

COVID-19 Pandemic

The outbreak of the COVID-19 pandemic has been an exceptional challenge for everyone and the Council is no different. Staff have worked tirelessly to support the City of Plymouth in its response to COVID-19 and maintain services in these difficult times. When the outbreak started in March 2020, our Transformation resources responded well with the roll-out of Member's devices, staff devices, the virtualisation of the Contact Centre and the speedy release of Microsoft Teams to ensure that Members and staff were well equipped to transition from office based to home workers. We continued to support the most vulnerable of Plymouth's residents through the setting up of Caring for Plymouth, a partnership with Livewell Southwest and a large number of voluntary and community sector organisations had a considerable impact on the city and the Council. The outbreak of COVID-19 brought about an amazing citizen response with 800 people registering to be part of the new 'Plymouth Good Neighbour Scheme', which was set up to respond to needs arising in the community to support individuals and businesses.

The Council has supported businesses throughout the pandemic through the administration of various grant schemes designed to help those impacted by the local restrictions and periods of lockdown. In 2020/21 the Council paid out over £77m to local businesses. Businesses were also supported by Licensing and Public Protection staff who were on hand to provide advice and guidance on how to respond during the Pandemic.

Schools were supported by the Education, Participation and Skills department, providing essential information for schools. This has meant that Plymouth schools were well-placed to provide the best possible education to the young people of Plymouth.

The household waste and recycling tonnages increased as people spent more time at home and our refuse collections have continued throughout the pandemic. Our street cleansing teams have also worked hard to keep Plymouth tidy with as little disruption as possible.

There have been many challenges faced by the city. Organisations, including the Council, have faced staff shortages due to self-isolation or shielding which has impacted front-line services. The Council have also had to change working practices to ensure the safety of staff and customers, for example by holding virtual visits with some of our most vulnerable children and clients.

Mayflower 400 and 'The Box'

The Box is Plymouth's new £46m cultural destination proudly led by Plymouth City Council. With funding secured from the Council, the Heritage Lottery Fund and Arts Council England, The Box aspires to deliver an ongoing programme of international significance. The opening of The Box finally took place on 24 September 2020, four months after the planned pre COVID-19 launch date. It should be considered as one of the most significant cultural initiatives in the UK in 2020. The galleries, collections and archives, which make up The Box are also flagship projects of the Mayflower 400 commemorations. The original City Museum and Art Gallery have been completely transformed and extended to combine the original Edwardian building with the former City Library and St Luke's church. The Box also features a striking elevated 'archive in the sky' with research and learning facilities, along with a major new public square for gigs, performance, theatre and events. Six outstanding national collections, over two million artefacts, archives, film, photographs, figureheads, the Mayflower and a mammoth form part of this exciting new venue. Unfortunately, the majority of events planned to celebrate the Mayflower 400 and the opening of The Box have been delayed due to the COVID-19 pandemic and this will impact on the ambitious income projections which formed part of the project. However, the three day preview event for Plymothians welcomed 2,285 guests (the maximum number due to social distancing) and in the first week welcomed a further 4,475 visitors. Positive media coverage for the city has reached 60.43m people.

Transforming Service Delivery

In April 2020 we moved into the seventh year of our successful transformation journey. This has enabled Plymouth City Council to deliver over £108m of budget savings and efficiencies in the last seven years.

The Council embarked on 'The Way We Work' (TWWW) programme in December 2017, which completed in August 2019. The 'Workforce Modernisation Programme' has evolved from TWWW and has been designed as a two tranche programme to be delivered July 2019 to March 2022.

The Workforce Modernisation Programme's vision is:

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

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

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

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

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

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

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

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

Our priorities include:

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

Resurgam – COVID-19 Economic Recovery Plan

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

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

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

The Council's Performance

The Plymouth City Corporate Plan 2018-22 sets out our mission of 'making Plymouth a fairer city, where everyone does their bit'. This was approved by Council in June 2018. The Corporate Plan priorities are delivered through specific programmes and projects which are coordinated and resourced through cross-cutting strategic plans, capital investments and directorate business plans. The key performance indicators (KPIs) and their associated targets are monitored quarterly to inform us on how we are doing in delivering what we have set out to achieve in the Corporate Plan. We have continued to transform how we deliver services to ensure they are more efficient and better focused on customer needs. This includes working in new ways, joining services up with our partners and maximising the opportunities from digital technology.

In very difficult financial circumstances we continue to retain and improve our core services. For example during 2020/21 we have:

- ✓ Through the 'Caring for Plymouth' Support Hub, supported in excess of 5,655 people delivering 950 food packages and more than 800 prescriptions were collected;
- ✓ Accommodated 159 rough sleepers during the early stages of the pandemic;
- ✓ Delivered 800 laptops to vulnerable children;
- ✓ Recruited 16 new fostering households to support our looked after children;
- ✓ Maintained our Virtual Youth Parliament and the work of our Youth Offending Team supported ongoing reparation work that has been nationally recognised;
- ✓ Provided 47,000 free school meals per week;
- ✓ Despite an increased number of applications for Housing Benefit we have maintained an average turnaround time between application and payment comfortably below the target of 18 days;
- ✓ Implemented and managed the Test & Trace Support Scheme;
- ✓ Supported 7,337 local businesses with the administration of £77.6m business grants;
- ✓ From April to October, the libraries team engaged with 22,000 people;
- ✓ Recruited 800 people to the Plymouth Good Neighbours Scheme;
- ✓ Provided 215 volunteers to our voluntary sector partners;
- ✓ Distributed 1.7m items of Personal Protective Equipment (PPE);
- ✓ Undertaken more than 100 investigations into reports of businesses trading illegally;
- ✓ Out of 30,000 scheduled daily collections of waste and recycling, continued to collect more than 99% on their scheduled day.

FINANCIAL PERFORMANCE

Devon Business Rates Pool

The Devon Business Rates Pool (DBRP) has been operating since April 2013 and each year the pool has delivered a pool gain to its members. The table shown below demonstrates the benefit to pool members for each financial year since 2013 when Business Rate Retention first came in. As can be seen from the table Plymouth has benefitted from an additional £8.649m and the Devon economy has benefitted overall by £48.959m since the pool's inception.

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

Devon Business Rate Pooling Gains 2013 to 2020								
Business Rate Retention Scheme	**2014/15 50%**	**2015/16 50%**	**2016/17 50%**	**2017/18 50%**	**2018/19 100% Pilot**	**2019/20 50%**	**2020/21 50%**	**Total**
	£	£	£	£	£	£	£	£
Devon	755,736	657,061	856,728	1,383,502	15,306,012	2,228,157	2,145,986	23,333,182
East Devon	105,113	95,374	124,356	204,928	1,669,512	315,779	303,873	2,818,935
Exeter	235,377	214,202	279,293	443,865	961,211	682,088	656,335	3,472,371
Mid Devon	55,569	50,145	65,383	107,621	195,650	166,760	160,490	801,618
North Devon	108,589	98,447	128,363	206,831	658,941	319,050	307,028	1,827,249
South Hams	102,497	0	0	0	460,047	308,947	297,284	1,168,775
Teignbridge	107,155	96,995	126,470	205,035	480,085	316,768	304,841	1,637,349
Torridge	44,629	40,066	52,241	89,908	382,617	139,918	134,669	884,048
West Devon	41,159	37,138	48,424	83,235	270,162	128,901	124,053	733,072
Plymouth	650,067	575,475	750,350	1,204,222	1,727,204	1,904,143	1,837,986	8,649,447
Torbay	322,737	284,475	370,922	580,334	263,329	922,674	888,429	3,632,900
Total	**2,528,628**	**2,149,378**	**2,802,530**	**4,509,481**	**22,374,770**	**7,433,185**	**7,160,974**	**48,958,946**

Strategy and Resource Allocation – The Council's Budget and Medium Term Financial Plan 2020/21 to 2023/24

The Council's gross revenue budget for 2020/21 was £506.269m, which after adjusting for income equates to a net budget requirement of £193.677m. This was approved by Full Council on the 24 February 2020 and included £21.069m of increased pressures in 2020/21 due to reductions or insufficient increases in government grant funding. The budget was developed following input and reviews with Directors and other officers and Members, including Cabinet. The budget was formulated having regard to a number of factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures. The savings plans included in the budget take into account Council priorities and are assessed against an agreed set of impact criteria and equality assessments. Budget monitoring and scrutiny arrangements were in place throughout the year, which included arrangements for the identification of early remedial action supported by a clear action plan, reporting and regular monitoring.

A summary of the overall budget position is shown below, which includes the Medium Term Financial Plan for the next three years (2021/22 to 2023/24). The Medium Term Financial Plan is integral to the Budget Preparation process and is regularly reported to Members as part of the budget updates through the year:

Medium Term Financial Plan	Budget		Forecast	
	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m
Revenue Resources Available	**193.677**	**195.568**	**188.622**	**193.669**
Baseline spend requirement	185.482	193.677	195.568	211.627
Plus identified additional costs	21.069	10.313	14.339	8.643
Overall Spend Requirement	**206.551**	**203.990**	**209.907**	**220.270**
Total Funding Gap Before Savings	**(12.874)**	**(8.422)**	**(21.285)**	**(26.601)**
Savings	7.974	7.542	2.072	0.000
Income generation	0.725	0.208	0.303	0.000
Grant income	4.175	0.672	(4.095)	0.000
Total Savings	**12.874**	**8.422**	**(1.720)**	**0.000**
Revised Spending for Year	**193.677**	**195.568**	**211.627**	**220.270**
Budget Gap	**0.000**	**0.000**	**23.005**	**26.601**

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

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

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

2020/21 Revenue Outturn

The Council had balanced its budget, prior to the adjustments for the pension transaction, reporting a breakeven position for 2020/21. The overall net spend matches the net budget of £193.677m. The outturn position needs to be considered in the context of a challenging financial climate, made more so with responding to COVID-19. In 2020/21 the Council has managed a £13m savings programme in addition to increasing service demands and customer expectations, this is a notable achievement.

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

A Council wide Employee Voluntary Release Scheme (EVRS) was actioned during the financial year enabling service areas to realign and implement changes needed to ensure continued efficiency with service delivery. This resulted in £0.5m of salary savings in 2020/21, with a future full year impact of delivering £1.2m.

All directorates, except Corporate Items, came in under budget for their business as usual activity.

The net revenue budget of £193.677m was allocated to council services as follows:

Directorate	2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Council Approved Net Budget	2020/21 Outturn	Year End Over/ (Under) Spend
	£m	£m	£m	£m	£m
Executive Office	6.136	(0.490)	5.646	5.589	(0.057)
Corporate Items	4.170	(26.980)	(22.810)	(35.783)	(12.973)
Finance	18.017	(3.132)	14.885	11.296	(3.589)
Customer and Corporate Services	97.694	(67.798)	29.896	31.333	1.437
People Directorate	276.397	(134.308)	142.089	146.021	3.932
Office for the Director of Public Health	19.281	(19.710)	(0.429)	1.349	1.778
Place Directorate	84.574	(60.174)	24.400	33.872	9.472
Total	**506.269**	**(312.592)**	**193.677**	**193.677**	**0.000**

Government Funding for COVID

Throughout 2020/21 the Government has provided significant financial support to the Council, local businesses and City residents to help deal with the impacts of the pandemic. The table below sets out all of the funding received, the body awarding the grant, whether the Council was acting as an agent or as principal and a brief explanation of its purpose.

Grant Name	Awarding Body	PCC Acting as Agent or Principal	Value Received or Accrued in 2020/21	Purpose
			£	
Emergency Funding for Local Government	Ministry for Homes, Communities & Local Government (MHCLG)	Principal	14,583,040	Un-ringfenced COVID-19 grant
Income Compensation Scheme	MHCLG	Principal	7,488,861	To underwrite a proportion of lost income
New Burdens - Local Authority Discretionary Grant Fund (LADGF)	MHCLG	Principal	170,000	Covid related new burdens
New Burdens 2 (final for Small Business Grant Fund (SBGF), Retail, Hospitality & Leisure Grant Fund (RHLGF) and LADGF)	MHCLG	Principal	76,500	Covid related new burdens
New Burdens - Council Tax Hardship Fund	MHCLG	Principal	23,269	Covid related new burdens
New Burdens - Business Rates Relief	MHCLG	Principal	11,700	Covid related new burdens
Council Tax Hardship Fund	MHCLG	Principal	2,574,999	To deliver financial support including reduced Council Tax bills to economically vulnerable residents
RHLGF & SBGF	MHCLG	Agent	45,457,650	Grants passported to businesses due to closures, etc

Grant Name	Awarding Body	PCC Acting as Agent or Principal	Value Received or Accrued in 2020/21	Purpose
			£	
Discretionary Business Grant	MHCLG	Principal	2,270,750	Grants to support businesses severely impacted by Coronavirus restrictions
Test and Trace Support Payments	MHCLG	Agent	526,500	Financial support to people having to test, trace and isolate
Test & Trace Support Payment Admin Grant	MHCLG	Principal	97,070	COVID related new burdens
Local Restrictions Support Grant (LRSG), Closed	Department for Business Enterprise & Industrial Strategy (BEIS)	Agent	4,009,122	Grants passported to businesses due to closures, etc
Additional Restrictions Grant (ARG)	BEIS	Principal	7,570,248	Grants to support businesses severely impacted by Coronavirus restrictions
LRSG - Christmas Support Package	BEIS	Agent	108,800	Grants passported to businesses due to closures etc
LRSG (Closed) post 2 December	BEIS	Agent	291,260	Grants passported to businesses due to closures, etc
LRSG (Open)	BEIS	Principal	1,079,936	Grants passported to businesses due to closures, etc
LRSG (Sector)	BEIS	Agent	0	Grants passported to businesses due to closures, etc
LRSG (Closed Business Lockdown Payment (CBLP))	BEIS	Agent	12,024,000	Grants passported to businesses due to closures, etc
LRSG closed 5/1/21 onwards	BEIS	Agent	6,013,683	Grants passported to businesses due to closures, etc
LRSG Closed Addendum 16 February	BEIS	Agent	6,300,049	Grants passported to businesses due to closures, etc
Infection Control Fund	Department of Health and Social Care (DHSC)	Agent	5,865,814	Passported onto care providers
Test and Trace Support Grant	DHSC	Principal	1,402,003	Prevent, contain and manage outbreaks
European Regional Development Fund (ERDF) - Reopening High Streets Safely Fund	MHCLG	Principal	0	Grant to support additional measures to create and promote a safe environment for local trade and tourism as the high streets reopen
COVID Emergency Assistance Grant	Department for the Environment Food & Rural Affairs (DEFRA)	Principal	343,180	Support people who are struggling to afford food and other essentials due to COVID-19
COVID 19 Bus Services Support Grant (CBSSG)	Department for Transport (DfT)	Principal	304,004	Support to operators in recognition of the impacts of COVID-19

Grant Name	Awarding Body	PCC Acting as Agent or Principal	Value Received or Accrued in 2020/21	Purpose
			£	
Compliance and Enforcement Funding	MHCLG	Principal	154,637	To support compliance with COVID restrictions
Contain Outbreak Management Fund	DHSC	Principal	6,047,022	Prevent, contain and manage outbreaks
Additional funding for the Clinically Extremely Vulnerable (CEV)	MHCLG	Principal	364,417	
Covid Winter Grant Scheme	Department for Work & Pensions (DWP)	Principal	922,397	Support for vulnerable households
Workforce Capacity Fund	DHSC	Principal	642,052	Maintain safe staffing levels over the winter period and to continue working with the care sector to ensure there is sufficient workforce capacity across services
Rapid Testing Fund	DHSC	Principal	780,458	Maintain safe staffing levels over the winter period and to continue working with the care sector to ensure there is sufficient workforce capacity across services
Community Testing	DHSC	Principal	120,960	
Business Improvement Districts (BIDs) Support Funding	MHSCLG	Principal	39,495	Grants passported to BIDs
Additional Dedicated Home to School and College Transport (COVID)	Department for Education (DfE)	Principal	679,994	Support socially distanced travel options for the journey to school during COVID-19
Travel Demand Management (Schools - COVID)	DfT	Principal	150,000	Support socially distanced travel options for the journey to school during COVID-19
DfE Wellbeing Grant	DfE	Principal	33,756	Grant support to schools
COVID-19 Schools Fund	DfE	Principal	167,037	Grant must be allocated in full to schools
COVID Catch Up Premium (Schools)	Education & Skills Agency	Principal	331,980	Grant must be allocated in full to schools
Next Steps Accommodation programme	MHCLG	Principal	381,780	Grant to support accommodation
COVID Contingency Homelessness	MHCLG	Principal	14,250	Grant to support homelessness
Council Tax Income Guarantee	MHCLG	Principal	3,826,296	Forms part of the Collection Fund for accounting purposes
Business Rates Income Guarantee	MHCLG	Principal	3,061,209	Forms part of the Collection Fund for accounting purposes
Leisure Recovery Fund	Sports England	Principal	544,542	To support leisure centres
Total COVID Related Funding Received			**136,854,720**	

Working Balance

The Working Balance as at 31 March 2020 after the adjustments for the transaction of £73.375m is a negative balance of £64.980m (prior to these adjustments the Council's Working Balance was £8.395m). It is expected that the Working Balance will return to this level once the Capitalisation Direction is awarded by Government. The Working Balance has a recommended minimum set at 5% of the net revenue budget. This minimum requirement has been approved by Council. However, due to the continued budget pressures in 2019/20, the Council has had to make further use of its Working Balance.

Other Financial Performance

In addition to the financial outturn reports within this report there were a range of other significant performance achievements which have contributed to the year-end position. In year collection targets are set for our Council Tax, Business Rates, Commercial Rents, and Sundry Debt Income including our Trade Waste Income. The 2020/21 revenue budget was based on the achievement of the required targets.

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

Some key indicators are:

- 96.41% of Council Tax collected in year for 2020/21 towards the total collection target of 96.5% (96.44% in 2019/20). This equates to £132.124m. This is below the in-year target, but Council Tax collection was affected by the COVID-19 pandemic, with all forms of recovery action suspended since the start of the first lockdown to prevent adding additional pressure on Plymouth households.
- 98.97% of NDR collected in year for 2020/21 towards the total collection target of 98.00% (98.97% in 2019/20). 1% of NDR collected equates to £0.916m. This reflects the top-up grants received in-lieu of payments by local businesses.
- Average borrowing rate of 1.55% was achieved below target of 2.80% in 2020/21 (1.89% in 2019/20). This equates to a notional £5.189m saving.
- Average investment return of 1.57% was achieved against target of 1.3% in 2020/21(2.11% in 2019/20). This equates to a £0.572m return.
- VAT partial exemption at 4.43% against a limit of 4.99% in 2020/21 (4.27% in 2019/20).

Capital

During the year 2020/21 the Council spent £105.741m on capital projects within the city. This is shown by Directorate in the following table. This is within the approved Capital Budget of £778.671m reported to Full Council on 22 February 2021.

Directorate	Latest Forecast December 2020	Re-Profiling	Approvals Post December	Variations and Virements	2020/21 Outturn	Spend Variance
	£m	£m	£m	£m	£m	%
Place Directorate	135.355	(48.525)	7.164	(0.002)	93.992	69.4
People Directorate	10.300	(6.300)	2.411	0.079	6.490	63.0
Customer and Corporate Services	7.932	(6.044)	2.721	0.007	4.616	58.2
Office for the Director of Public Health	5.209	(4.566)	0.000	0.000	0.643	12.3
Total Capital Programme	**158.796**	**(65.435)**	**12.296**	**0.084**	**105.741**	**66.6**

The 2020/21 programme outturn of £105.741m has enabled investment in the city and includes some notable capital schemes and areas of investment, including:

- £1.2m Mayflower 400 Restoration of Elizabethan House;
- £2.8m The Box;
- £3.4m Plymouth Railway Station;
- £5.2m Oceansgate Phase 2;
- £8.8m Highway maintenance and essential engineering;
- £5.2m Crownhill Court;
- £16.2m Forder Valley Link Road;
- £1.5m Disabled Facilities Grants;
- £8.9m Strategic and Sustainable Transport Schemes;
- £3.3m ICT provision, upgrading and creating new capabilities for ICT infrastructure.

Capital Funding 2021-25

The latest capital programme is summarised as follows:

Directorate	2020/21 Actual	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	Total
	£m	£m	£m	£m	£m	£m
Place Directorate	93.992	165.858	96.835	17.026	2.649	376.360
People Directorate	6.490	7.211	8.709	3.174	0.149	25.733
Customer and Corporate Services	4.616	13.695	0.000	0.000	0.000	18.311
Office for the Director of Public Health	0.643	12.370	0.000	0.000	0.000	13.013
Total	**105.741**	**199.134**	**105.544**	**20.200**	**2.798**	**433.417**

Capital Financing 2020/21

The following table shows the final financing of the 2020/21 capital programme:

Method of Financing	Total
	£m
Capital receipts	1.843
Grants (Government, HLF, LEP, Environment Agency)	43.724
Contributions, S106 & CIL (neighbourhood elements)	1.768
Borrowing:	
Corporately funded	21.845
Service borrowing (revenue budget funded)	36.561
Capital Programme Financings 2020/21	**105.741**

Cash Flow Management

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

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

Cash and short-term investment holdings at 31 March 2021 were £41.859m and are held to meet the Council's capital financing and cash flow requirements while obtaining a return on these investments. The Council also uses short-term borrowing from other local authorities to meet some of the funding of the Council's ambitious capital programme. As at 31 March 2021 the Council held £464.242m short-term borrowing and £135.527m long term borrowing which is within the Council's approved limits.

Balance Sheet Position

The Council's Balance Sheet position is as follows:

Position	Balance as at 31 March 2020	Balance as at 31 March 2021
	£000	£000
Non-current assets - principally land, buildings and equipment used to deliver council services	1,217,816	1,288,023
Net current assets - current assets less current liabilities	(467,605)	(513,674)
Long term liabilities and provisions (including pensions) see points 1 and 2	(820,224)	(946,288)
Net Liabilities	**(70,013)**	**(171,939)**
Represented by:		
Usable reserves (see point 3)	(13,705)	46,294
Unusable reserves	(56,308)	(218,233)
Total Reserves	**(70,013)**	**(171,939)**

1. The Council's largest balance sheet liability is represented by £588.890m for pension liabilities. This includes a provision for the pension guarantee for Livewell Southwest and DELT Shared Services Limited for the service deficit attributable to service up to the transfer date. The liability has reduced significantly in 2019/20 as the Council paid £72m to Devon LGPS to reduce the Council's long-term pension liability. The treatment of the transaction as capital has been rejected by our auditors. The Council has now restated the transaction as revenue and has applied to Government for a Capitalisation Direction to capitalise the revenue costs as capital.
2. The Council has a number of liabilities at the year-end for which it has made provision. The most significant of which are:

- The provision for Chelson Meadow which is a closed landfill site. The provision of £8.667m has been calculated on the future maintenance costs over the next 50 years and is reviewed each year;
- In addition, the Council has set aside a provision for business rate appeals of £7.272m due to the COVID-19 pandemic and the uncertainty over business rates (£1.889m at 31 March 2020).

3. Usable reserves are currently split between those earmarked for capital investment and those allocated to revenue support and service development. Usable reserves also include £3.434m held on behalf of schools and a negative £64.980m general fund working balance. Prior to the changes applied for the pension transaction, the working balance was £8.395m which represented 4.33% of the net cost of services.
4. The Council holds a number of unusable reserves, the majority of which are required to be held for statutory reasons and some which are needed to comply with proper accounting practice. A further breakdown of unusable reserves can be found in the Notes to the Financial Statements section of the Statement of Accounts.

FINANCIAL MANAGEMENT AND IDENTIFYING RISKS

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

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

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

These documents are continually updated and reviewed on a quarterly basis. The MTFP is wide ranging and includes estimates of future income and expenditure. It allows the Finance team to balance the financial implications of the Council's Corporate Plan, service objectives and policies with the constraints in resources. This year's budget (2020/21) and the modelling for future years budgets were prepared before the impact of the COVID-19 pandemic and they will be revisited in 2021/22 to determine what action needs to be taken to balance the budget.

The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have published revised guidance and an updated Prudential Code to cover local authorities who invest in properties to obtain an income. The Council's Asset Investment Fund has been set up to invest in commercial properties to increase its revenue income.

Risk Management

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

Risk	Link to Corporate Plan	Impact	Mitigation
Financial			
Delivering Council services within the envelope of the resources provided in 2020/21-21/22 Medium Term Financial Plan, impact of COVID-19 and Brexit	Spending Money Wisely	Risk to services not delivering within reduced budgets and to delivery of the Plymouth Plan from reduced revenue and funding of the Capital Programme	Progress reported monthly to Cabinet, Audit and Governance Committee and Chief Internal Auditor oversee the financial reporting process, continued member engagement in Budget process and MTFP setting process Workforce modernisation Programme Regular monitoring
Failure to meet statutory duties due to growing volume and complexity of demand for children's social care services	Spending Money Wisely	Hidden harm consequences of infection control and safe systems of working	A range of operational interventions in place to monitor, manage and reduce expenditure. All delivery plans have been reviewed and progress monitored
Compliance, Regulation & Safeguarding			
Insufficient Pupil Attainment across Secondary Cohort	A Caring Council	Impact on quality of life outcomes for pupils	Ofsted inspection outcome tracking, Plymouth Education Board (PEB) Established Task Group
Development & Regeneration			
Insufficient Economic Performance to Sustain the City's Economy due to Recession & Lockdown	A Growing City	High number of business failures, impact on Council bad debt secondary redundancy wave	Cross department team created to harness resources across the city and to look at recovery and economic shock. Resurgam Plan for recovery

LOOKING FORWARD

The Medium Term Financial Plan is updated quarterly and the budget report presented to Cabinet on 24 February 2020 sets out the national context for large reductions in local government funding and the Local Government Finance Settlement.

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

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

STATEMENT OF ACCOUNTS 2020/21

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2021. The format and content of the statements is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA), Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. This is based on International Financial Reporting Standards (IFRS) adapted for use in a public sector context. Accounting policies are applied in accordance with these standards. The Statement of Accounts comprises:

Statement of Responsibilities for the Statement of Accounts	This sets out the respective responsibilities of the Council and the Chief Finance Officer (Service Director for Finance).
Auditor's Report	This gives the auditor's opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.
Core Financial Statements:	
Comprehensive Income and Expenditure Statement (CIES)	This shows the net cost of providing services for the year, including that for Plymouth's maintained schools. The top half of the statement provides an analysis by service area, on the same basis that these services are managed by the Council. The bottom half of the statement deals with in accordance with generally accepted accounting practices. The Expenditure Funding Analysis (note 7) compares the CIES with levels of income and expenditure which are taken into account when setting the annual budget and council tax since certain amounts are disregarded by statute.
Balance Sheet	The Balance Sheet shows a 'snapshot' of the Council's financial position at year end. The top half of the Balance Sheet sets out the Council's assets and liabilities, including provision for known liabilities from past events that can be reliably estimated. The lower half of the Balance Sheet shows the Council's reserves. Usable reserves reflect actual cash amounts and unusable reserves result from accounting adjustments required by statute or accounting standards and cannot be spent.
Movement in Reserves Statement (MIRS)	This shows the movements in reserves during the year, analysed into the different funds held by the Council and classified as either 'usable' reserves which can be used to fund future expenditure or 'unusable' reserves which are maintained to meet specific statutory responsibilities and adjustments (e.g. valuation reserves showing the change in book value of assets and liabilities).
Cash Flow Statement	This financial statement shows how changes in balance sheet accounts and income affect cash and cash equivalents, it breaks the analysis down to operating activities, investing activities (including capital spend and disposals) and financing activities (such as repayment of borrowing and other long-term activities).
Supplementary Statements and Notes:	
Collection Fund	This account demonstrates how income raised from local taxpayers has been redistributed to the Council and other precepting authorities for the provision of services.
Statement of Accounting Policies	Sets out the accounting policies that have been followed in preparing the accounts and how the Code requirements have been met in practice.
Disclosure Notes	These provide more detail about individual transactions and balances.

ANNUAL GOVERNANCE STATEMENT

The Code also sets out the statutory requirement, under the Accounts and Audit (England) Regulations 2015, for every local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and to include a statement reporting on the review with the Statement of Accounts. This review takes the form of the Annual Governance Statement (AGS).

The AGS was reported to and approved by the Audit Committee on the 20 September 2021. This can be found on the Council's website.

CONCLUSION

The Draft Statement of Accounts were published on 31 July 2021, and in line with our statutory duty our accounts were made available for scrutiny by interested members of the public from 2 August to 10 September 2021.

Following any adjustments, as a result of the audit and/or post balance sheet events, the final Statement of Accounts will be presented to the Audit Committee and, following formal sign off, will be published on the Council's web pages soon after.

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

a) Any person interested may inspect and make copies of the accounts to be audited.

b) A local government elector for the area may question the auditor about the accounts and object to any items of unlawful expenditure, loss due to wilful default, failure to bring a sum of income into account, or any other matter of public interest. Persons wishing to question the auditor should do so by prior arrangements by contacting 020 7728 3180.

c) If any elector intends to object they must give the auditor prior written notice of any objection and its grounds and send a copy of the notice to the City Council.

The Council's Service Director for Finance (Section 151 Officer) is required to sign the final Accounts following the Audit Committee formal sign off.

Further information is available:

- on the Council's website or
- from Carolyn Haynes, Head of Finance, Ballard House West Hoe Road, Plymouth PL1 3BJ, telephone 01752 398927, email corporateaccountancy@plymouth.gov.uk.

David Northey
Service Director for Finance and Section 151 Officer
Ballard House
West Hoe Road
Plymouth
PL1 3BJ

Dated:

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council is Required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Service Director for Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

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

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

In preparing this statement of accounts, the Service Director for Finance has:

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

The Service Director for Finance has also:

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

In signing these accounts, the Service Director for Finance confirms that these statements give a 'true and fair' view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year ended 31 March 2021.

David Northey
Service Director for Finance and Section 151 Officer
Ballard House
West Hoe Road
Plymouth
PL1 3BJ

Dated:

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2019/20 Gross Expenditure	2019/20 Gross Income	2019/20 Net Expenditure		Note	2020/21 Gross Expenditure	2020/21 Gross Income	2020/21 Net Expenditure
£000	£000	£000			£000	£000	£000
8,140	(1,550)	6,590	Executive Office		6,254	(757)	5,497
89,946	(102,247)	(12,301)	Corporate Items		17,988	(62,587)	(44,599)
17,661	(2,848)	14,813	Finance		4,789	(412)	4,377
99,714	(79,264)	20,450	Customer and Corporate Services		111,020	(76,225)	34,795
283,435	(127,246)	156,189	People Directorate		283,528	(148,489)	135,039
19,754	(19,600)	154	Public Health		23,563	(23,272)	291
103,059	(43,472)	59,587	Place Directorate		107,692	(45,130)	62,562
621,709	**(376,227)**	**245,482**	**(Surplus)/Deficit on Continuing Operations**		**554,834**	**(356,872)**	**197,962**
1,031	(2,062)	(1,031)	Other Operating Expenditure	11	9,723	(1,502)	8,221
59,057	(39,891)	19,166	Financing and Investment Income and Expenditure	13	51,699	(31,546)	20,153
0	(202,239)	(202,239)	Taxation and Non-specific Grant Income	14	0	(207,584)	(207,584)
681,797	**(620,419)**	**61,378**	**(Surplus)/Deficit on Provision of Services**		**616,256**	**(597,504)**	**18,752**
		(45,626)	(Surplus)/deficit on Revaluation of Non-current Assets	22.1			(28,469)
		(49,409)	Re-measurement of the Net Defined Benefit Liability (Assets)	22.4			110,711
		(946)	Other recognised (gains)/losses				932
		(95,981)	**Other Comprehensive Income and Expenditure**				**83,174**
		(34,603)	**Total Comprehensive Income and Expenditure**				**101,926**

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance and Balance movements in the year following those adjustments.

Movement in Reserves Statement	Note	General Fund Balance	Earmarked General Fund	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019		**8,051**	**24,669**	**32,720**	**15,219**	**9,596**	**57,535**	**(162,151)**	**(104,616)**
Movement in Reserves 2019/20									
Total Comprehensive Income and Expenditure		(61,378)	0	(61,378)	0	0	(61,378)	95,981	34,603
Adjustments between accounting basis and funding under regulations	10	(12,615)	0	(12,615)	1,028	1,725	(9,862)	9,862	0
Net Increase/(Decrease) Before Transfer to Earmarked Reserves		**(73,993)**	**0**	**(73,993)**	**1,028**	**1,725**	**(71,240)**	**105,843**	**34,603**
Transfer (to)/from reserves	12	612	(612)	0	0	0	0	0	0
Net Increase/(Decrease) in 2019/20		**(73,381)**	**(612)**	**(73,993)**	**1,028**	**1,725**	**(71,240)**	**105,843**	**34,603**
Balance at 31 March 2020		**(65,330)**	**24,057**	**(41,273)**	**16,247**	**11,321**	**(13,705)**	**(56,308)**	**(70,013)**
Movement in Reserves 2020/21									
Total Comprehensive Income and Expenditure		(18,752)	0	(18,752)	0	0	(18,752)	(83,174)	(101,926)
Adjustments between accounting basis and funding under regulations	10	78,246	0	78,246	(69)	574	78,751	(78,751)	0
Net Increase/(Decrease) Before Transfer to Earmarked Reserves		**59,494**	**0**	**59,494**	**(69)**	**574**	**59,999**	**(161,925)**	**(101,926)**
Transfer (to)/from reserves	12	(59,145)	59,145	0	0	0	0	0	0
Net Increase/(Decrease) in 2020/21		**350**	**59,145**	**59,494**	**(69)**	**574**	**59,999**	**(161,925)**	**(101,926)**
Balance at 31 March 2021		**(64,981)**	**83,202**	**18,221**	**16,178**	**11,895**	**46,294**	**(218,233)**	**(171,939)**

The amounts in this table are rounded to the nearest thousand and are derived from unrounded figures, therefore, may not be the strict sums of the figures presented.

BALANCE SHEET AS AT 31 MARCH 2021

The Balance Sheet shows the value of the assets and liabilities recognised by the Council as at the Balance Sheet date. The net assets of the Council are matched by the reserves held. Usable reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). Unusable reserves are those that the Council is not able to use to provide services, including reserves that hold unrealised gains and losses (for example the Revaluation Reserve), and reserves that hold timing differences shown in the Movement in Reserve Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2020		Note	31 March 2021
£000			£000
852,443	Property Plant and Equipment	15.1	890,583
48,290	Heritage Assets	16	50,360
254,440	Investment Property	17	275,442
15	Intangible Assets		1
51,037	Long-term Investments	18.1	58,097
11,591	Long-term Debtors	19.2	13,540
1,217,816	**Non-current Assets**		**1,288,023**
12,115	Short-term Investments	18.1	0
680	Inventories		526
51,257	Short-term Debtors	19.1	95,959
38,790	Cash and Cash Equivalents	23.4	41,859
926	Assets Held for Sale		538
103,768	**Current Assets**		**138,882**
(468,223)	Short-term Borrowing	18.1	(464,242)
(64,522)	Short-term Creditors	20.1	(110,962)
(2,987)	Short-term Provisions	21	(3,065)
(3,235)	Grants Received in Advance - Revenue	29	(8,950)
(32,406)	Grants Received in Advance - Capital	29	(65,337)
(571,373)	**Current Liabilities**		**(652,556)**
(12,698)	Long-term Creditors	20.2	(8,895)
(9,870)	Long-term Provisions	21	(18,057)
(135,138)	Long-term Borrowing	18.1	(135,527)
(455,390)	Long-term Liabilities Pensions	34.3 & 34.9	(588,890)
(118,652)	Other Long-term Liabilities	20.3	(116,867)
(88,476)	Grants Received in Advance - Capital	29	(78,052)
(820,224)	**Long Term Liabilities**		**(946,288)**
(70,013)	**Net Assets**		**(171,939)**
(13,705)	Usable Reserves		46,294
(56,308)	Unusable Reserves	22	(218,233)
(70,013)	**Total Reserves**		**(171,939)**

CASH FLOW STATEMENT

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

2019/20		Note	2020/21
£000			£000
(61,378)	Net Surplus/(Deficit) on the Provision of Services	23.1	(18,752)
(2,337)	Adjustment to Net Surplus/(Deficit) on the Provision of Services for non-cash movement	23.1	71,903
(12,943)	Adjustments for items included in the Net Surplus/(Deficit) on the Provision of Services that are investing and financing activities	23.1	(22,714)
(76,658)	**Net Cash Flows from Operating Activities**		**30,437**
(75,980)	Investing activities	23.2	(31,222)
159,565	Financing activities	23.3	3,854
6,927	**Net Increase/(Decrease) in Cash and Cash Equivalents**		**3,069**
31,863	Cash and cash equivalents at the beginning of the reporting period	23.4	38,790
38,790	**Cash and Cash Equivalents at the End of the Reporting Period**		**41,859**

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1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year ended 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code), supported by International Financial Reporting Standards (IFRS).

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

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

1.2 Accruals of Income and Expenditure

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

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

1.3 Cash and Cash Equivalents

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

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

1.4 Exceptional Items

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

1.5 Benefit Payments

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

1.6 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

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

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

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

1.7 Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue, called the Minimum Revenue Provision (MRP), towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.8 Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be

credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement (MiRS).

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

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

1.9 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, flexi and time off in lieu (TOIL) as well as bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Termination Benefits

Termination benefits (e.g. redundancy payments) are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service, or where applicable the Corporate Service line in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the cost of restructuring.

Post-Employment Benefits (Pensions)

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

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

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

Teachers' Pension Scheme

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Educational Services line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year.

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

The Local Government Pension Scheme

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

The liabilities of the Devon Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.0% (based on the Merrill AA rated corporate bond).

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

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

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

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

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff, including teachers as outlined above, are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.10 Events After the Balance Sheet Date

Events after the Balance Sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

1.11 Financial Instruments

Financial Liabilities

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

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

For most of the borrowings that the Council has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the general fund balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

Financial Assets

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

- amortised cost;
- fair value through profit or loss (FVPL), and;
- fair value through other comprehensive income (FVOCI).

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contracted provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and

Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Financial Assets Measured at Fair Value through Profit and Loss

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

Fair Value Measurements of Financial Assets

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

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

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

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

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

Financial Derivatives

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

1.12 Revenue Recognition

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

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

The analysis carried out to date indicates that there will be no material impact on the revenue recognised in relation to the significant contracts entered into by the Council. A review will take place each year to identify whether any disclosure is necessary.

1.13 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the CIES until the conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as stated, or future economic benefits or service potential must be returned to the transferor (grant provider).

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

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

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MiRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.14 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation;

- its expenses, including its share of any expenses incurred jointly.

1.15 Interests in Companies and Other Entities

An assessment of the Council's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control over an entity. The Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Council does have a number of interests in companies and other entities, none of which would be material on consolidation due to the elimination of group transactions. Thus the production of group accounts is not required for these interests.

1.16 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at 31 March. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the MIRS and posted to the capital adjustment account and the capital receipts reserve.

1.17 Heritage Assets

The Plymouth City Museum and Art Gallery is responsible for over 800,000 artefacts and a proportion of the collections have been held on display in the museum, council buildings and other historic sites. These collections span a wide range of fine and decorative art, archaeology, world cultures, social and natural history and local and maritime history. These are held in support of the primary objective of the Council to ensure that these objects are preserved in trust for future generations because of their cultural, environmental or historical associations.

The Council classifies its Heritage Assets into five main categories – historic buildings and monuments, fine art and world cultures collections, gold, silver and jewellery collections, items under £100k and the special books collection which are being formally recognised on the Balance Sheet on the basis of their insurance valuation.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets, detailed as follows.

Where a historic building is being used significantly for the provision of services (for example Mount Edgcumbe House or the City Museum) this will be recognised as Other Land and Buildings rather than as a Heritage Asset.

The Council's collections are accounted for as follows:

- **Historic Buildings and Monuments**

  Historic buildings and monuments classified as Heritage Assets include Smeaton's Tower and the Elizabethan House.

  The list is relatively static and acquisitions and donations are rare. Where they do occur acquisitions would be initially recognised at cost and donations would be recognised at insurance value which is based on market values.

  As these are deemed to have an indefinite life, the Council does not consider it appropriate to charge depreciation.

- **Fine Art and World Cultures Collection**

  The Council has a large and important fine art collection comprising paintings, watercolours, drawings, prints, miniatures and sculptures. Highlights include the outstanding Cottonian Collection and works by local artists such as Sir Joshua Reynolds, and this represents the largest fine arts collection in the south west. The world cultures collection consists of objects collected from foreign countries spanning the globe.

  Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance values, usually based on valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant information from sales at auction.

  As these items are deemed to have an indefinite life, the Council does not consider it appropriate to charge depreciation.

- **Gold, Silver and Jewellery Collection**

  The collection of gold, silver and jewellery includes local pieces dating from the 18th to 20th century and is representative of the thriving local community. Key pieces in the collection include the Eddystone Lighthouse Salt and the Drake Cup.

  Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance values, usually based on valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant information from sales at auction.

- **Under £100k**

  The Council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological, decorative art, natural history and other collections. This is because of the lack of comparable market values and, consequently, these are recognised on the Balance Sheet on the basis of their insurance valuation.

- **Special Books Collection**

  The Council does not consider that reliable cost or valuation information can be obtained for the items held in its special books collection. This is because of the lack of comparable market values and, consequently, these are recognised on the Balance Sheet on the basis of their insurance valuation.

The Council's policy for the acquisition, preservation and management of museum assets can be found on The Box website.

The carrying amount of Heritage Assets are reviewed on a regular basis to assess whether there has been any evidence of impairment caused by physical deterioration or breakage, or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairments – see note 1.20 in this summary of significant accounting policies. If there is any occasion where a Heritage Asset is disposed of, the proceeds of such items are accounted for in accordance with the Council's general provisions for the disposal of property, plant and equipment.

Disposal proceeds are disclosed separately in the Notes to the Financial Statements (see note 15.4) and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts – see note 1.20 in this summary of significant accounting policies.

1.18 Assets Held for Sale

When it becomes probable that the value of an asset will be recovered principally through a sale rather than through its continuing use, and the asset is being actively marketed, it is reclassified as an Asset Held for Sale. The asset is revalued and held at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

Assets that are no longer used for operational purposes but are not actively being marketed are revalued and reclassified as surplus but still retained within Property, Plant and Equipment and transferred to Assets Held for Sale only when a decision is made to actively market the asset.

1.19 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee (Leased in Assets)

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the leases at it's fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

Operating Leases

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

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

The Council as Lessor (Assets Leased Out)

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the (Surplus)/Deficit on Continuing Operations in the CIES. Credits are made on a straight-line basis over the life of the lease.

1.20 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

The Council operates a policy of assets capitalisation (including donated assets) with a minimum asset value of £10,000 for land and property and £5,000 for vehicle, plant and equipment. However, there is no minimum level applied for capital spend incurred by individual schools financed from capital grants.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure and community assets – depreciated historical cost;
- assets under construction – historical cost;
- surplus assets – fair value;
- the Tamar Toll Bridge - depreciated replacement cost;
- all other assets – current value in their existing use.

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

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

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

Impairment

Assets are assessed at each year-end to determine whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets revalued as part of the 5 year rolling programme by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life such as freehold land and certain Community Assets, and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on a straight line basis over the useful life of the asset as determined by the valuer. Depreciation is charged to the CIES based on values as at the start of the year. No depreciation is applied in year of acquisition or construction. The depreciation periods currently used are:

Operational Buildings:	
Car parks	5 to 50 years
Schools	5 to 50 years
Other buildings	5 to 60 years
Tamar Bridge	120 years
Infrastructure	20 to 40 years
Vehicles and Plant	5 to 25 years

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

Componentisation

The Council's componentisation policy is as follows:

- **Materiality Level**

  Assets with a building value of £2.5m or above are considered for componentisation on an individual asset basis. Consideration is also given to groups of similar assets that individually are below the materiality level for componentisation but may collectively be material.

- **Significance**

  Components with a value of 20% or above of the overall asset value are significant components.

  In terms of schools, components are defined as separate school blocks or buildings and componentisation applied where the values meet the 20% criteria.

- **Different Asset Life**

  The difference in life between the host asset and the component must be over 5 years for componentisation to be recorded.

Disposals

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are required to be credited to the Capital Receipts Reserve. Capital receipts can then only be used for:

- new capital investment;

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

Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

- **Recognition**

  Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

- **Measurement**

  Highways infrastructure assets are generally measured at depreciated historical cost. Plymouth City Council was incorporated as a unitary authority on the 1 April 1998 and the highways infrastructure assets was transferred from Devon County Council and recognised in the Balance Sheet at nil value. This means that the current highways infrastructure asset value only represents capital expenditure that has incurred since that time. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

- **Depreciation**

  Depreciation is provided on the parts of the highways infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year.

- **Disposals and Derecognition**

  When a component of the highways infrastructure asset is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

1.21 Private Finance Initiative (PFI) and Similar Contracts

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

The Council's original recognition of PFI assets are based on the cost of construction or purchase cost of the property and is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

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

- fair value of the services received during the year;
- finance costs – an interest charge on the outstanding Balance Sheet liability;
- contingent rent – increases in the amount to be paid for the property arising during the contract;
- payment towards finance liability – applied to write down the Balance Sheet liability towards the PFI operator;
- lifecycle costs – costs to maintain assets used to operationally acceptable standard.

Schools PFI Credits

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

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

South West Devon Energy from Waste (EfW) PFI

For the Energy from Waste Scheme there is the additional element of deferred credit from the write down of the long term liability for the expected third party income received during the year.

1.22 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged to the appropriate service in the year that the Council becomes aware of its obligation. It can only be used for the purpose for which it was established.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in note 35.2.

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts, note 35.1, where it is probable that there will be an inflow of economic benefits or service potential.

1.23 Reserves

The Council maintains a number of reserves which may be required for statutory purposes or set up voluntarily to earmark resources for future spending plans or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the MiRS.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS so that there is no net charge against Council Tax for the expenditure.

1.24 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MiRS from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.25 Accounting for Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for Local Authority maintained schools lies with the Local Authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Local Authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council. The Council has the following types of maintained schools under its control:

- community; and
- voluntary controlled.

School non-current assets are recognised on the Balance Sheet where the Council directly owns the assets or where the school or the school governing body own the assets but the Council is deemed to exercise control.

When a maintained school converts to an Academy, Voluntary Aided or Foundation Trust/Foundation, the school's non-current assets held on the Council's Balance Sheet are treated as a disposal. The carrying value of the asset is written off to Financing and Investment Income and Expenditure in the CIES. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to Academy status is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

The income and expenditure is included within the People directorate in the CIES. The reserves are included in the Education Reserve balance, which forms part of the Council's Useable reserves.

1.26 Value Added Tax

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

1.27 Fair Value Measurement of Non-Financial Assets

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be receivable to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability; or

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

2 Material Items of Income and Expense

This note identifies material items of income and expenditure that are not disclosed on the face of the Comprehensive Income and Expenditure Statement. For the purposes of this Note the Council considers material items to be those greater than £8.2m.

The Council took the decision to make an early payment of £72m towards the Devon LGPS pension deficit. This was made to generate ongoing revenue savings over 21 years. In the draft accounts this transaction was treated as capital. However, our external auditors have advised the Council that this must be treated as revenue. The revenue treatment of this transaction means that the Council's income for 2019/20 and 2020/21 was insufficient to meet its expenditure. Due to this change in accounting treatment it has been necessary for the Council to request a retrospective Capitalisation Direction from Government.

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

Tamar Bridge Valuation – Departure from the Code of Practice

The Tamar Bridge is a toll bridge that is jointly owned by Cornwall Council and Plymouth City Council. The Code of Practice on Local Authority Accounting requires infrastructure assets to be accounted for using depreciated historic cost, however both Councils use depreciated replacement cost (DRC) to value the asset. This is because the Tamar Bridge is an income generating asset and the income

generated is used to maintain its upkeep. It is therefore treated as a separate class of asset and the reader of the Council's accounts might reasonably expect there to be a relationship between the income raised in tolls and the cost of maintaining and ultimately replacing the bridge. The current DRC value of the bridge is £59.567m, if the bridge was valued at its depreciated historic cost in line with other infrastructure assets the value would be £25.301m, so would therefore be misleading to use historic cost as a basis for valuation.

The Council have concluded that, taking account of the above, the financial statements present a true and fair view of the Council's financial position, financial performance and cash flows and has complied with the Code in all other respects.

4 Accounting Standards that have been Issued but have Not Yet Been Adopted

Where a new standard has been published but has not yet been adopted by the Code, the Council is required to disclose information relating to the impact of these accounting changes. This requirement applies to International Financial Reporting Standards (IFRS) that have not been applied in the 2020/21 Code and that came into effect on or before 1 January 2021.

For 2020/21 the following potentially relevant standards include:

- Definition of a Business: amendment to IFRS 3 Business Combinations;
- Interest Rates Benchmark Reform: amendments to IFRS 9, IAS 39 and IFRS 7; and
- Interest Rates Benchmark Reform – Phase 2: amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

Application of the standards is required from 1 April 2020. Therefore, these changes will be reflected in the Council's 2021/22 or future Statement of Accounts.

IFRS16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-to-use assets with corresponding lease liabilities (there are exemptions for low-value and short-term leases). CPIFA/LASAAC have deferred the implementation of IFRS16 for local government to 1 April 2023. Local authorities are not required to include IFRS16 in their consideration of accounting standards that have been issued but not adopted in their 2019/20 accounts.

There are no changes in accounting requirements for 2021/22 that are anticipated to have a material impact on the Council's financial performance or financial position.

5 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

In preparing the Statement of Accounts, there are areas where estimates have been made. Estimates are made taking into account historical experience, current trends and other relevant factors. These include the amount of arrears that will not be collected (based on past experience of collection for the different types of debt); useful lives and valuations of properties which are estimated by qualified valuers (for further details see 1.20); and the liability for future pension payments, which carries the most significant risk of material adjustment.

Item	Uncertainties	Consequences (if actual results differ from assumptions)
Property, Plant and Equipment	Asset valuations are based on market prices, condition surveys and standards of professional practice set out by the Royal Institute of Chartered Surveyors (RICS) and a small proportion of assets are periodically re-valued using a 5-year rolling programme. The Council's valuers provided valuations as at 31 March 2021 for approximately 70% of its operational portfolio in order to ensure that the Council does not materially misstate its Property, Plant and Equipment. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The carrying value of this long term asset at the end of the reporting period was £890.583m. The outbreak of COVID-19 has had a global impact on the financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. This means that less certainty and a higher degree of caution should be attached to valuations. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy. Property valuations will be kept under review as we assess the future impact of COVID-19 on property markets.	Any change in the valuation or useful life of an asset would affect the carrying value of the asset in the balance sheet and the charge for depreciation or impairment would impact on the CIES. If the value of the Council's operational properties reduced by 10%, this would result in a net reduction of £17m which would either result in a decrease to the Revaluation Reserve and/or a charge to the CIES. An increase in estimated valuations would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the CIES. The above changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from Council Tax receipts.
Fair value measurement of Investment Property	The Council's valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The COVID-19 global impact on financial markets has made judgements on valuations more challenging due to market uncertainty and a higher degree of caution should be attached to valuations than would normally be the case. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.

Item	Uncertainties	Consequences (if actual results differ from assumptions)
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham LLP are the consultant actuaries for the pension scheme providing expert advice about the assumptions to be applied. Those assumptions are detailed in Note 34 to the accounts. The carrying value of this long-term liability at the end of the reporting period was £588.890m.	The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the balance sheet and the cost shown in the CIES. The changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from council tax receipts.
Impairment allowance for debts	As at 31 March 2021 the Council had a balance of short-term debtors of £96.218m. The Council makes an impairment allowance against those debts which may become uncollectable. The impairment allowance is currently £16.693m (£13.228m in 2019/20). It is hard to determine whether the impairment allowance increase is sufficient to offset any losses through non-payment of debts. The outbreak of COVID-19 has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	The impairment allowances held are based on policies adapted for historic experience and the success rates experienced in collection. The Council will monitor its collection rates of debt throughout the year. If there are indications that the impairment allowance will be insufficient they will be adjusted which will have an adverse impact on the Council's revenue account.

Material Uncertainties

There are material uncertainties around valuations in the following areas:

Property, Plant and Equipment – Valuations Undertaken at 31 March 2021 – COVID-19 Implications

Non-current asset valuations are based on market conditions and are reviewed annually to ensure that they are materially correct when reported within the annual statement of accounts. The outbreak of COVID-19 has had a global impact on the financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. As a result, valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. It is not currently possible to accurately predict the full impact of the COVID-19 pandemic as there is insufficient evidence available at the current time. Therefore, the valuations reported have been based on market conditions prior to this crisis on the assumption normal market conditions will be restored.

The material uncertainties are as follows:

Tamar Bridge Valuation

Due to COVID-19 there is a material valuation uncertainty in relation to the valuation of the Tamar

Bridge. Its value in the Council's accounts (50% of its total value through the Joint Committee with Cornwall Council) is £59.567m.

Other Land and Buildings

Due to COVID-19 there is a material valuation uncertainty in relation to Other Land and Buildings. These are valued at £616.256m in the Council's accounts. A change in that valuation of between 0% to 10% could result in a change in value of between £0m and £61.626m.

Pension Fund

The Council's liability as at the 31 March is based on a number of complex judgements relating to the discount rate used, the rate at which salaries may change, changes in mortality rates and expected returns on pension fund assets. The effects on the net pension liability of changes in individual assumptions can be measured. For example, a future 0.1% increase in the discount rate assumption would result in a reduction in the (gross) pension liability of £28.526m. Similarly, a reduction of 1 year in the mortality assumption would result in a reduction of £65.523m in the (gross) pension liability.

Investment Properties

Due to COVID-19 there is a material valuation uncertainty in relation to Investment Properties. These are valued at £275.442m in the Council's accounts. A charge in that valuation of between 0% to 10% could result in a change in value of between £0m to £27.544m.

6 Events After the Balance Sheet Reporting Period

The Council's Section 151 Officer authorised the Statement of Accounts on 31 July 2021. Events taking place after this date are not reflected in the financial statements. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 15 September 2023 the Service Director for Finance (S151 Officer) requested a retrospective Capitalisation Direction from Government. This support will be provided via the Exceptional Financial Support Framework which has been agreed in principle. The Capitalisation Direction will permit the Council to meet the £72m revenue cost through capital resources. The draft accounts for 2021/22, 2022/23 and 2023/24 will also need to be revised to reflect the change in accounting for the pension transaction. The revised statements will be presented to the Audit and Governance Committee at the earliest opportunity.

7 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by Local Authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2019/20 Directorate Total Reported for Outturn	2019/20 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances	2019/20 Net Expenditure Chargeable to the General Fund Balances	2019/20 Adjustments Between the Funding and Accounting Basis	2019/20 Net Expenditure in the CIES		2020/21 Directorate Total Reported for Outturn	2020/21 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances	2020/21 Net Expenditure Chargeable to the General Fund Balances	2020/21 Adjustments Between the Funding and Accounting Basis	2020/21 Net Expenditure in the CIES
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
5,859	0	5,859	731	6,590	Executive Office	5,589	1	5,590	(93)	5,497
(13,175)	73,669	60,494	(72,795)	(12,301)	Corporate Items	(36,133)	(3,627)	(39,760)	(4,839)	(44,599)
17,374	(3,093)	14,281	532	14,813	Finance	11,296	(7,267)	4,029	348	4,377
16,554	0	16,554	3,896	20,450	Customer and Corporate Services	31,333	369	31,702	3,093	34,795
133,895	0	133,895	22,294	156,189	People Directorate	146,021	470	146,491	(11,452)	135,039
(558)	0	(558)	712	154	Public Health	1,349	0	1,349	(1,058)	291
25,539	(385)	25,154	34,433	59,587	Place Directorate	33,872	508	34,380	28,182	62,562
185,488	**70,191**	**255,679**	**(10,197)**	**245,482**	**Net Cost of Service**	**193,327**	**(9,546)**	**183,781**	**14,181**	**197,962**
		(181,686)	(2,418)	(184,104)	Other Income and Expenditure			(243,275)	64,065	(179,210)
		73,993	**(12,615)**	**61,378**	**(Surplus)/Deficit on Provision of Service**			**(59,494)**	**78,246**	**18,752**
		(32,720)			Opening General Fund and Earmarked balances at 31 March			41,273		
		73,993			(Surplus)/Deficit on General Fund and Earmarked balance in Year			(59,494)		
		41,273			**Closing General Fund Balance at 31 March**			**(18,221)**		

8 Note to the Expenditure and Funding Analysis

Adjustments between funding and accounting basis:

Adjustments from General Fund to Arrive at the CIES Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
2020/21	**£000**	**£000**	**£000**	**£000**
Executive Office	33	363	(489)	(93)
Corporate Items	(30)	2,238	(7,047)	(4,839)
Finance	0	310	38	348
Customer and Corporate Services	4,511	1,478	(2,896)	3,093
People Directorate	2,932	154	(14,538)	(11,452)
Public Health	364	385	(1,807)	(1,058)
Place Directorate	35,269	2,940	(10,027)	28,182
Net Cost of Service	**43,079**	**7,868**	**(36,766)**	**14,181**
Other Income and Expenditure from the Expenditure and Funding Analysis	30,666	11,130	22,269	64,065
Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service	**73,745**	**18,998**	**(14,497)**	**78,246**

Adjustments from General Fund to Arrive at the CIES Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
2019/20	**£000**	**£000**	**£000**	**£000**
Executive Office	33	548	150	731
Corporate Items	67	(61,754)	(11,108)	(72,795)
Finance	577	767	(812)	532
Customer and Corporate Services	2,812	1,377	(293)	3,896
People Directorate	17,807	4,760	(273)	22,294
Public Health	407	533	(228)	712
Place Directorate	30,957	3,927	(451)	34,433
Net Cost of Service	**52,660**	**(49,842)**	**(13,015)**	**(10,197)**
Other Income and Expenditure from the Expenditure and Funding Analysis	251	12,572	(15,241)	(2,418)
Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service	**52,911**	**(37,270)**	**(28,256)**	**(12,615)**

Adjustment for Capital Purposes

Adjustments for Capital Purposes – this column adds in depreciation, impairment and revaluation gains/losses in the services line and for:

- **Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and Investment Income and Expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and Non-Specific Grant Income and Expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions, or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- **Services** – this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- **Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other Statutory

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statue:

- **Financing and Investment Income and Expenditure** – the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- **Taxation and Non-Specific Grant Income and Expenditure** – the charge represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

9 Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

Expenditure/Income	2019/20	2020/21
	£000	£000
Expenditure:		
Employee benefits expenses	234,859	143,756
Other service expenses	357,452	407,742
Depreciation, amortisation, impairment	72,074	50,080
Interest payments	17,412	14,678
Total Expenditure	**681,797**	**616,256**
Income:		
Fees, charges and other service income	(197,037)	(131,490)
Interest and investment income	(22,164)	(13,726)
Income from council tax, non-domestic rates, district rate income	(169,546)	(143,612)
Government grants and contributions	(231,672)	(308,676)
Total Income	**(620,419)**	**(597,504)**
Surplus or Deficit on the Provision of Service	**61,378**	**18,752**

10 Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Adjustments between Accounting Basis and Funding Basis Under Regulations	2019/20				2020/21			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non-current assets	(39,069)	0	0	39,069	(35,649)	0	0	35,649
Revaluation losses on Property, Plant and Equipment	(10,923)	0	0	10,923	465	0	0	(465)
Movements in the market value of Investment Properties	5,526	0	0	(5,526)	(8,300)	0	0	8,300
Amortisation of intangible assets	(7)	0	0	7	(7)	0	0	7
Capital grants and contributions	16,150	0	(16,150)	0	22,248	0	(22,248)	0
Movement in the Donated Assets Account	256	0	0	(256)	0	0	0	0
Revenue expenditure funded from capital under statute	(10,588)	0	0	10,588	(20,483)	0	0	20,483
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(348)	0	0	348	(8,772)	0	0	8,772
Deferred credit Energy from Waste	2,324	0	0	(2,324)	2,324	0	0	(2,324)
Revaluation losses on investment in shares	(60)	0	0	60	(60)	0	0	60
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	10,872	0	0	(10,872)	18,348	1,373	0	(19,721)
Capital expenditure charged against the General Fund	523	0	0	(523)	533	0	0	(533)
Adjustments involving the Capital Receipts Reserve:								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(305)	0	305	0	(467)	0	467
Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement	1,926	(1,926)	0	0	1,202	(1,202)	0	0
Total C/FWD	**(23,418)**	**(2,231)**	**(16,150)**	**41,799**	**(28,151)**	**(296)**	**(22,248)**	**50,695**

Adjustments between Accounting Basis and Funding Basis Under Regulations	2019/20				2020/21			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Total B/FWD	**(23,418)**	**(2,231)**	**(16,150)**	**41,799**	**(28,151)**	**(296)**	**(22,248)**	**50,695**
Long term debtor repayments in year	0	(458)	0	458	0	(1,478)	0	1,478
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,661	0	(1,661)	0	1,843	0	(1,843)
Adjustments involving the Capital Grants Unapplied Account:								
Use of the Capital Grants unapplied Account to finance new capital expenditure	0	0	14,425	(14,425)	0	0	21,674	(21,674)
Adjustments involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	609	0	0	(609)	554	0	0	(554)
Adjustments involving the Pooled Investments Fund Adjustments Account								
Amount by which Financial Instruments charged to the Comprehensive Income and Expenditure Statement are different from amounts chargeable in the year in accordance of statutory requirements	(6,460)	0	0	6,460	1,493	0	0	(1,493)
Adjustments involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(48,411)	0	0	48,411	(33,779)	0	0	33,779
Employer's pensions contributions and direct payments to pensioners payable in the year	85,682	0	0	(85,682)	14,781	0	0	(14,781)
Adjustments involving the Collection Fund Adjustment Account:								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,893	0	0	(3,893)	(32,688)	0	0	32,688
Adjustment involving the Accumulating Compensated Absences Adjustment Account								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	720	0	0	(720)	(456)	0	0	456
Total Adjustments	**12,615**	**(1,028)**	**(1,725)**	**(9,862)**	**(78,246)**	**69**	**(574)**	**78,751**

General Fund Balances

The General Fund is the statutory fund into which all the receipts of an Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

11 Other Operating Expenditure

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

Other Operating Expenditure	2019/20	2020/21
	£000	£000
Levies	100	101
Gains/losses on the disposal of non-current assets	220	8,771
Pension administration costs	515	544
Other income*	(1,866)	(1,195)
Total	**(1,031)**	**8,221**

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

12 Movement in Earmarked Reserves

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

2020/21	Balance as at 31 March 2020	Transfers to Reserves 2020/21	Transfers from Reserves 2020/21	Balance as at 31 March 2021
	£000	£000	£000	£000
Education Reserves	(1,965)	(3,378)	1,909	(3,434)
Other Ring Fenced	(2,263)	(2,011)	330	(3,944)
Other Reserves	(4,700)	(2,878)	1,364	(6,214)
PCC Earmarked Reserves:				
Life Centre Dowry	(350)	0	350	0
Investment Fund	(135)	(109)	18	(226)
Integrated Finance Reserve	(593)	(7,335)	0	(7,928)
Interest Rates Swap Reserve	0	(5,705)	0	(5,705)
Pension Reserve	(3,500)	0	1,280	(2,220)
Collection Fund Reserve	0	(30,565)	0	(30,565)
Other PCC Earmarked Reserves	(10,551)	(20,850)	8,435	(22,966)
Total Reserves	**(24,057)**	**(72,831)**	**13,686**	**(83,202)**

2019/20	Balance as at 31 March 2019	Transfers to Reserves 2019/20	Transfers from Reserves 2019/20	Balance as at 31 March 2020
	£000	£000	£000	£000
Education reserves	(3,088)	(1,820)	2,943	(1,965)
Other ring fenced	(2,607)	(220)	564	(2,263)
Other reserves	(6,408)	(1,832)	3,540	(4,700)
PCC earmarked reserves:				
Life Centre dowry	(200)	(150)	0	(350)
Investment fund	(165)	(112)	142	(135)
Business Rate Reserve	(4,122)	0	4,122	0
Integrated finance reserve	(2,033)	(305)	1,745	(593)
Pension reserve	0	(3,500)	0	(3,500)
Other PCC earmarked reserves	(6,046)	(9,223)	4,718	(10,551)
Total Reserves	**(24,669)**	**(17,162)**	**17,774**	**(24,057)**

The main earmarked reserves and their purpose are as follows:

Education/Schools Reserves

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

School Budget Share – Represents unspent balances at the year-end against schools' delegated budgets. The 31 March 2021 balance relating to the School budget share was £3.278m (31 March 2020: £1.829m).

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

Collection Fund Reserve – The Collection Fund Reserve holds balances to 'smooth' the impact and movement of COVID-19 grant funding for Business Rates and Council Tax across multiple financial years.

Interest Rate Swap Reserve – The Interest Rate Swap Reserve holds gains from fair value movements in interest rate swaps. These gains will reverse over time as the swaps near maturity and are therefore not used to finance revenue expenditure.

13 Financing and Investment Income and Expenditure

This contains corporate items of income and expenditure arising from the Council's involvement in financial instruments and similar transactions involving interest or the unwinding of discounts. This heading also includes the income and expenditure relating to investment properties, further details of which can be found in note 17.1.

Analysis of Income/Expenditure	2019/20	2020/21
	£000	£000
Interest payable and similar charges	15,792	14,968
Fair value for capital share purchase	60	60
Fair value for Financial Instruments	6,460	(7,198)
Pensions interest cost and expected return on pension assets	11,980	10,523
Interest receivable and similar income	(3,334)	(3,334)
(Surplus)/deficit on trading undertakings not included in Net Cost of Service	48	184
Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal	(11,840)	4,950
Total	**19,166**	**20,153**

14 Taxation and Non-Specific Grant Income and Expenditure

Analysis of Income	2019/20	2020/21
	£000	£000
Council tax income	(112,317)	(115,319)
Non domestic rates	(57,229)	(28,293)
Non-ringfenced government grants	(22,550)	(52,476)
Capital grants and contributions	(10,143)	(11,496)
Total	**(202,239)**	**(207,584)**

15 Property, Plant and Equipment

15.1 Movement in Year

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The Council continues to maintain that information and does not consider that the non-disclosure will be detrimentally impact on the readers of the Council's accounts and their understanding of the Council's financial position. The Council's reported position of its assets in the Balance Sheet remains unchanged.

Property, Plant and Equipment Assets	2019/20	2020/21
	£000	£000
Infrastructure Assets	146,051	163,228
Other Property, Plant and Equipment Assets	706,392	727,355
Total Property, Plant and Equipment Assets	**852,443**	**890,583**

Infrastructure Assets	2019/20	2020/21
	£000	£000
Opening Net Book Value	**136,590**	**146,051**
Additions	13,916	15,667
Reclassifications	7,483	13,748
Depreciation	(11,930)	(12,012)
Impairments	0	(226)
Disposals and Decommissioning	(8)	0
Balance as at 31 March	**146,051**	**163,228**

The movement in Property, Plant and Equipment (PPE) in 2020/21 is summarised in the following table:

2020/21	Other Land and Buildings	Vehicles, Plant, Furniture and Fittings	Toll Bridge	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost of Valuation								
At 1 April 2020	575,509	69,079	60,532	3,605	3,211	89,828	801,764	123,492
Additions	4,503	4,893	1,607	0	0	30,533	41,536	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,931	0	0	0	2	0	8,933	767
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	3,416	0	(3,875)	0	(54)	0	(513)	904
Derecognition - disposals	(1,499)	(785)	0	0	0	0	(2,284)	0
Other movements in cost or valuation	27,193	3,930	1,303	0	(114)	(58,179)	(25,867)	0
At 31 March 2021	**618,053**	**77,117**	**59,567**	**3,605**	**3,045**	**62,182**	**823,569**	**125,163**
Accumulated Depreciation and Impairment								
At 1 April 2020	(46,900)	(47,046)	0	(1,302)	(124)	0	(95,372)	(433)
Depreciation charge	(18,419)	(4,616)	(622)	0	(4)	0	(23,661)	(33)
Depreciation written out to the Revaluation Reserve	19,576	0	0	0	0	0	19,576	0
Depreciation written out to the surplus/deficit on the Provision of Services	385	0	622	0	1	0	1,008	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	119	0	119	0
Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services	138	0	0	0	0	0	138	0
Derecognition - disposals	149	762	0	0	0	0	911	0
Other movements in depreciation and impairment	637	430	0	0	0	0	1,067	0
At 31 March 2021	**(44,434)**	**(50,470)**	**0**	**(1,302)**	**(8)**	**0**	**(96,214)**	**(466)**
Net Book Value								
At 31 March 2021	**573,619**	**26,647**	**59,567**	**2,303**	**3,037**	**62,182**	**727,355**	**124,697**
At 31 March 2020	**528,609**	**22,033**	**60,532**	**2,303**	**3,087**	**89,828**	**706,392**	**123,059**

2019/20	Other Land and Buildings	Vehicles, Plant, Furniture and Fittings	Toll Bridge	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost of Valuation								
At 1 April 2019	546,528	67,178	64,837	1,724	3,942	61,466	745,675	123,318
Additions	4,472	2,656	312	1,611	37	42,639	51,727	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	31,370	0	0	270	890	0	32,530	183
Revaluation Increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(12,230)	0	(2,898)	0	(320)	0	(15,448)	(9)
Derecognition - disposals	(208)	(761)	0	0	(108)	0	(1,077)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	(280)	0	(280)	0
Other movements in cost or valuation	5,577	6	(1,719)	0	(950)	(14,277)	(11,363)	0
At 31 March 2020	**575,509**	**69,079**	**60,532**	**3,605**	**3,211**	**89,828**	**801,764**	**123,492**
Accumulated Depreciation and Impairment								
At 1 April 2019	(38,476)	(43,518)	(2,374)	(1,302)	(82)	0	(85,752)	(4,680)
Depreciation charge	(19,590)	(4,289)	(504)	0	(4)	0	(24,387)	(40)
Depreciation written out to the Revaluation Reserve	12,042	0	0	0	80	0	12,122	4,173
Depreciation written out to the surplus/deficit on the Provision of Services	2,602	0	2,878	0	1	0	5,481	114
Impairment losses/(reversals) recognised in the Revaluation Reserve	(8,848)	0	0	0	(119)	0	(8,967)	0
Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services	5,178	0	0	0	0	0	5,178	0
Derecognition - disposals	38	761	0	0	0	0	799	0
Other movements in depreciation and impairment	154	0	0	0	0	0	154	0
At 31 March 2020	**(46,900)**	**(47,046)**	**0**	**(1,302)**	**(124)**	**0**	**(95,372)**	**(433)**
Net Book Value								
At 31 March 2020	**528,609**	**22,033**	**60,532**	**2,303**	**3,087**	**89,828**	**706,392**	**123,059**
At 31 March 2019	**508,052**	**23,660**	**62,463**	**422**	**3,860**	**61,466**	**659,923**	**118,638**

15.2 Commitments Under Capital Contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2021 amounted to £39.565m (31 March 2020: £70.780m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme. Significant contractual commitments outstanding as at 31 March 2021 were as follows:

Project	Contractor	Amount
		£000
Forder Valley Link Road	Balfour Beatty	24,096
Contribution to Civic Centre Public Realm	Various	2,450
Re-development of Old Town Street / New George Street East	British Land	2,000
PfH Empty Homes Financial Assistance	Various	989
Plymouth Railway Station Concourse	GWR	909
Plymouth Life Centre	Balfour Beatty	870
Cothill Railway Bridge Replacement	Network Rail	763
The Box	Wilmott Dixon & The Hub	729
Street Scene & Waste Vehicles	CPD Davidson	700
A38 Manadon Junction	Balfour Beatty	608
Forder Valley Interchange	Balfour Beatty	500
Other Contractual Commitments under £500k		4,951
Total		**39,565**

15.3 Revaluations

The Council revalues a significant proportion of its Property, Plant and Equipment (PPE) on an annual basis and then carries out a rolling programme that ensures that all the remaining property required to be measured at fair value is revalued at least every five years. All valuations are carried out internally under the supervision of the Council's internal RICS Registered Valuers, except for the Energy from Waste Plant which is revalued by an external valuer appointed by Devon County Council and the Tamar Bridge and Torpoint Ferry properties which is revalued by an external valuer appointed by Cornwall Council.

Revaluations	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried at historical cost	1,172	26,647	0	27,819
Valued at Current Value as at :				
31 March 2021	418,363	0	3,037	421,400
31 March 2020	61,101	0	0	61,101
31 March 2019	59,022	0	0	59,022
31 March 2018	10,589	0	0	10,589
31 March 2017	23,372	0	0	23,372
Total Cost of Valuation	**573,619**	**26,647**	**3,037**	**603,303**

15.4 Gain/Loss on Disposal of Non-Current Assets

Assets Written Off Balance Sheet	2019/20	2020/21
	£000	£000
Land and property sales	220	1,810
Academy and trust schools	0	6,961
Investment properties	0	27
Total	**220**	**8,798**

16 Heritage Assets

The Council holds the following types of heritage assets:

Historic Buildings and Monuments

Historic buildings and monuments classified as heritage assets on the balance sheet include Smeaton's Tower and the Elizabethan House, which have been recognised at insurance valuations.

The Council has a number of other Heritage Assets that are used significantly for the provision of services and therefore are required to be recognised within Property, Plant and Equipment. These include Mount Edgcumbe House and The Box.

Gold, Silver, Jewellery, Fine Art and World Cultures

The Council's gold, silver, jewellery, fine art and world cultures collections are reported in the balance sheet at insurance valuation, which is based on market values.

The Council's policy for the acquisition, preservation and management of museum assets can be found on The Box website.

Items Over £100k

All Heritage assets over £100k are recognised at insurance valuations, which are reviewed annually and the value of assets are adjusted accordingly.

Special Books Collection

The special books collection are recognised at insurance valuations, which are reviewed annually and the value of assets are adjusted accordingly.

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

Heritage Assets	Buildings	Fine Art	Gold, Silver and Jewellery	Items Over £100k	Special Books Collection	Total Assets
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
As at 1 April 2019	5,725	16,883	4,663	16,023	3,500	46,794
Additions	189	217	67	0	0	473
Revaluations	0	351	0	672	0	1,023
As at 31 March 2020	**5,914**	**17,451**	**4,730**	**16,695**	**3,500**	**48,290**
Cost or Valuation						
As at 1 April 2020	5,914	17,451	4,730	16,695	3,500	48,290
Additions	1,243	61	0	0	0	1,304
Revaluations	0	(403)	0	102	0	(301)
Reclassification	1,067	0	0	0	0	1,067
As at 31 March 2021	**8,224**	**17,109**	**4,730**	**16,797**	**3,500**	**50,360**

17 Investment Properties

17.1 Income, Expenditure and Charges in Fair Value of Investment Properties

Investment properties are properties held solely to earn rentals or for capital appreciation or both. In the main, the Council's investment properties consist of offices, various ground rents (including retail, offices and industrial), industrial estates (including out of town), development sites, leisure (including restaurants, cafes and hotels) and retail (both in and out of town).

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

Amounts Recognised in the Comprehensive Income and Expenditure Statement	2019/20	2020/21
	£000	£000
Rental income from Investment Property	13,707	13,816
Direct operating expenses arising from Investment Property	(7,393)	(10,440)
Net Gain/(Loss)	**6,314**	**3,376**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

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

Analysis of Movement in Investment Properties	2019/20	2020/21
	£000	£000
Balance at 1 April	**197,732**	**254,440**
Additions	47,576	26,558
Disposals	(215)	(160)
Net gains/(losses) from fair value adjustments	5,526	(8,300)
Transfers:		
(to)/from Property, Plant and Equipment	3,821	2,904
Balance at 31 March	**254,440**	**275,442**

17.2 Fair Value Hierarchy for Investment Properties

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2021 are as follows:

Recurring Fair Value Measurements Using	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2021
2020/21	**£000**	**£000**	**£000**	**£000**
Industrial sites	0	66,426	0	66,426
Miscellaneous ground rents	0	6,628	3,698	10,326
Miscellaneous lets	0	24,787	34	24,821
Retail ground rents	0	33,469	0	33,469
Offices	0	15,679	0	15,679
Out of town retail	0	77,111	0	77,111
Out of town businesses	0	38,511	0	38,511
Development and Surplus Land	0	8,998	50	9,048
Lodges	0	51	0	51
Total	**0**	**271,660**	**3,782**	**275,442**

There were no transfers between Levels 1 and 2 during the year.

Recurring Fair Value Measurements Using	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2020
2019/20	**£000**	**£000**	**£000**	**£000**
Industrial sites	0	63,474	0	63,474
Miscellaneous ground rents	0	6,651	3,665	10,316
Miscellaneous lets	0	41,835	34	41,869
Retail ground rents	0	35,929	0	35,929
Offices	0	10,565	0	10,565
Out of town retail	0	81,830	0	81,830
Development and surplus land	0	10,262	50	10,312
Lodges	0	145	0	145
Total	**0**	**250,691**	**3,749**	**254,440**

There were no transfers between Levels 1 and 2 during the year.

17.3 Valuation Techniques Used to Determine Level 2 and 3 Fair Value for Investment Properties

Significant Observable Inputs – Level 2

The Current Value (Fair Value) for the Investment portfolio has been based on the market approach using comparable evidence from recent property transactions in the Plymouth area and by analysing other relevant information. Market Conditions are such that similar properties are actively purchased and sold with the level of observable inputs significant. This has led to the properties being categorised at Level 2 in the fair value hierarchy.

In relation to the housing sites, each of the housing sites have been marketed on the open market by Plymouth City Council, with offers received subject to various conditions (including but not limited to planning or category of those specifications). These offers have been adjusted accordingly to reflect the individual conditions.

Significant Unobservable Inputs – Level 3

Assets categorised at Level 3 in the fair value hierarchy have been assessed where there is a significant level or unobservable inputs. Where there is no reasonably available market evidence available in the Plymouth area to determine the Current Value (Fair Value) the Valuer will use considered assumptions such as the potential yields, rental growth and occupancy levels.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

17.4 Reconciliation of Fair Value Measurements (Using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Funding Hierarchy

Investment Properties Categorised within Level 3	31 March 2020	31 March 2021
	£000	£000
Opening Balance	**4,138**	**3,749**
Reclassifications in to Investment Properties at Level 3	(288)	0
Total gains/(losses) for the period included in the surplus or deficit on the provision of services resulting from changes in fair value	(101)	33
Closing Balance	**3,749**	**3,782**

Gains or losses arising from changes in the fair value of the investment properties are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

18 Financial Instruments

18.1 Financial Instruments Balances

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

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

The financial assets held by the Council during the year are accounted for under the following three classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
  - cash in hand;
  - bank current and deposit accounts;
  - fixed term deposits and reverse repurchase agreements with banks and building societies;
  - loans to other local authorities;
  - loans to smaller companies and housing associations;
  - certificates of deposit and covered bonds issued by banks and building societies;
  - treasury bills and gilts issued by the UK Government;
  - loans made for service purposes;
  - leases receivables;
  - trade receivables for goods and services provided.
- Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category).
- Fair value through profit and loss (all other financial assets) comprising:

- Interest rate swaps;
- pooled funds, equity and property funds managed and held as strategic investments;
- equity investments held for service purposes;
- money market funds managed by fund managers;
- loans where the cash flows are not solely payments of principal and interest;
- structured deposits with banks and building societies.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised of:

- long-term loans from the Public Works Loan Board;
- short-term loans from other local authorities;
- overdraft;
- lease payables;
- Private Finance Initiative;
- trade payables for goods and services received.

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

Financial Assets	Fair Value Level	Long-Term		Short-Term		Total	
		31 March 20	31 March 21	31 March 20	31 March 21	31 March 20	31 March 21
		£000	£000	£000	£000	£000	£000
At fair value through profit or loss:							
Money Market Fund (MMF)	3	0	0	32,554	29,950	32,554	29,950
Pooled Funds	2	50,914	52,407	0	0	50,914	52,407
Interest rate swaps *	2	0	5,617	0	0	0	5,617
Amortised cost:							
Long term investments	3	123	73	0	0	123	73
Short term investments	3	0	0	12,115	0	12,115	0
Cash and cash equivalents (less MMF)	3	0	0	6,236	11,909	6,236	11,909
Total Investments		**51,037**	**58,097**	**50,905**	**41,859**	**101,942**	**99,956**
Debtors							
Financial Instruments	0	11,591	13,540	18,941	17,415	30,532	30,955
Non-Financial Instruments	3	0	0	32,316	78,544	32,316	78,544
Total Financial Assets *		**62,628**	**71,637**	**102,162**	**137,818**	**164,790**	**209,455**

Financial Liabilities	Fair Value Level	Long-Term		Short-Term		Total	
		31 March 20	31 March 21	31 March 20	31 March 21	31 March 20	31 March 21
		£000	£000	£000	£000	£000	£000
Loans at amortised cost:							
PWLB	0	(40,709)	(40,709)	0	0	(40,709)	(40,709)
Market Loans	2	(84,058)	(83,980)	0	0	(84,058)	(83,980)
Other borrowing	2	(10,371)	(10,838)	(468,223)	(464,242)	(478,594)	(475,080)
Total Borrowing		**(135,138)**	**(135,527)**	**(468,223)**	**(464,242)**	**(603,361)**	**(599,769)**
Liabilities at amortised cost:							
Other liabilities	0	(118,652)	(116,867)	0	0	(118,652)	(116,867)
Creditors							
Financial Instruments	0	(12,698)	(8,895)	(34,220)	(36,848)	(46,918)	(45,743)
Non-Financial Instruments	3	0	0	(30,302)	(74,114)	(30,302)	(74,114)
Total Financial Liabilities		**(266,488)**	**(261,289)**	**(532,745)**	**(575,204)**	**(799,233)**	**(836,493)**

Note: LOBOs (Local Authority Lender's Option Borrower's Option loans) of £34m have been included in Market Loans but have a call date in the next 12 months. A call date means that the lender has the option to change the interest rate for the remaining period of the loan. The Council then has the option to accept the new rate or redeem.

Financial Assets Comparison to Fair Values

The fair values of the financial assets are equal to their balance sheet values.

Financial Liabilities Comparison to Fair Values

Financial Liabilities	Balance Sheet 31 March 20	Fair Value 31 March 20	Balance Sheet 31 March 21	Fair Value 31 March 21
	£000	£000	£000	£000
Loans at amortised cost:				
PWLB	39,176	63,666	40,709	65,211
LOBO loans	65,857	118,276	65,778	101,235
Other market loans	18,201	30,695	18,202	31,057
Other long-term loans	11,904	10,735	10,838	10,838
Short-term borrowing	468,223	468,223	464,242	464,234
Total Borrowing	**603,361**	**691,595**	**599,769**	**672,575**
PFI and lease liabilities	105,643	103,613	102,030	107,424
Total Liabilities	**709,004**	**795,208**	**701,799**	**779,999**

18.2 Equity Instruments Designated to Fair Value through Profit and Loss

The Council has investments made through the CCLA and other pooled funds. Under IFRS9 the Code now requires that pooled funds are measured at Fair Value through Profit or Loss. However, to mitigate the impact of the change there is a statutory override for a period of five years meaning that there is no impact on the Council's General Fund.

18.3 Gains and Losses on Financial Instruments

The income, expense, gains and losses recognised in the CIES in relation to financial instruments are

made as follows:

	2019/20		2020/21	
	Surplus or Deficit on the Provision of Service	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Service	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
Net gains/losses on:				
Investment in equity instruments designated at fair value through profit and loss	6,460	0	(1,493)	0
Interest rate swaps at fair value through profit & loss *	0	0	(5,334)	0
Interest and similar income	**6,460**	**0**	**(6,827)**	**0**
At fair value through profit or loss	(1,558)	0	(2,832)	0
Amortised Cost	(1,776)	0	(502)	0
Total Interest Revenue	**(3,334)**	**0**	**(3,334)**	**0**
Total Income	**3,126**	**0**	**(10,161)**	**0**
Interest expense at amortised costs	15,792	0	14,968	0
Total Interest Expense	**15,792**	**0**	**14,968**	**0**
Net (Gain)/Loss for the Year	**18,918**	**0**	**4,807**	**0**

** SDPS is cash flows plus accrual; OCI is fair value minus accrual.*

18.4 Financial Instruments – Fair Value

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

The fair values of other instruments have been taken at cost value, as the council believes that cost may provide an appropriate estimate of fair value. Cost represents the best estimate of fair value:

a) no significant change in the performance of the investee compared with budget;

b) no significant change in the market for the investee's products, economic environment in which the entity operates;

c) no change in expected performance in matters such as fraud, commercial disputes, litigation, changes in management or strategy.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost.

- The value of Lender's Option Borrower's Option (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;
- Other loans borrowed by the Council have been valued at cost on the basis of that most of the loans are short term loans and/or borrowed from other public sector organisations;
- Shares in limited company have been valued at cost of the investment;
- Interest rate swaps have been valued using the market forward interest rate curve;

- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been taken at the same value as the on-going PFI model as this is an estimate of the outstanding liability of this finance and provides an appropriate estimate of fair value;
- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to be approximately the carrying amount given the low and stable interest rate environment and the bad debt provisions already included in the statement of accounts.

Fair values are shown in table 18.1, split by their level in the fair value hierarchy:

- Level 1 fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices;
- Level 2 fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments;
- Level 3 fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

18.5 Nature and Extent of Risks Arising from Financial Instruments

The Council has adopted CIPFA's code of Practice on Treasury Management and complies with The Prudential Code for Capital Finance in Local Authorities (revised in 2017).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The strategy sets out the parameters for the management of risks associated with Financial Instruments.

Full details of the Council's Treasury Management Strategy can be found on the Council's website.

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

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

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

Credit Risk

Credit Risk arises from deposits with banks and financial institutions as well as credit exposures to the Council's customers.

Asset Type	Credit Risk Management	Estimation of Impairment Loss
Loans to other authorities	Guaranteed by statute.	No allowance required.
Banks and financial institutions	Deposits are restricted in line with Council's approved Treasury Strategy.	No historic or forecast losses.

Asset Type	Credit Risk Management	Estimation of Impairment Loss
Loans	All loans subject to internal risk appraisal, where appropriate guarantees and/or security is obtained in event of default.	No historic or forecast losses.
Other Debtors	Debtors are not subject to internal credit ratings and have been grouped for the purposes of calculating expected losses.	Expected credit losses (impairment) estimated based on age and type of debt.

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap, other contracts and equity prices when selecting commercial entities for investment.

A limit of £25m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in building societies there is a smaller limit of £10m applies. The Council also sets limits on investments in certain sectors.

The table below summarises the credit risk exposures of the Council's Treasury investment portfolio by credit rating and remaining time to maturity.

Credit Rating	31 March 2020		31 March 2021	
	Long-Term	Short-Term	Long-Term	Short-Term
	£000	£000	£000	£000
AAA	0	0	0	0
AA	0	32,554	0	29,950
A+	65	17,341	73	11,025
A	0	0	0	0
A-	0	0	0	0
Unrated	58	0	0	0
Total	**123**	**49,895**	**73**	**40,975**
Credit risk not applicable*	50,914	1,010	60,582	884
Total Investments	**51,037**	**50,905**	**60,655**	**41,859**

** Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.*

The Council's maximum exposure to credit risk in relation to its investments with banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution.

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

The Council does not generally allow credit for customers. After 28 days, recovery procedures are undertaken to recover any outstanding debt. The past due amount can be analysed by age as follows:

Past Due Amounts Analysed by Age	31 March 2020	31 March 2021
	£000	£000
Less than three months	14,433	9,673
Three months to one year	2,936	3,295
More than one year	2,988	4,423
Total	**20,357**	**17,391**

The credit risk inherent in the interest rate swaps is managed by the selection of highly credit worthy counterparties and by the requirement for the counterparty to post cash collateral when the valuation exceeds agreed thresholds. Nil cash collateral was held at 31 March 2021 (31 March 2020: Nil).

Liquidity Risk

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

It is however exposed to the risk that it will need to refinance a significant proportion of its short-term borrowing at a time of unfavourably high interest rates.

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

Loans Outstanding	31 March 2020	31 March 2021
	£000	£000
Public Works Loan Board	(40,709)	(40,709)
Market debt	(84,058)	(83,980)
Temporary borrowing	(468,222)	(464,242)
Other borrowing	(10,373)	(10,838)
Deferred liability (PFI)	(100,567)	(97,043)
Deferred liability (finance leases)	(1,465)	(1,412)
Other liabilities	(16,619)	(18,412)
Trade creditors	(64,522)	(110,962)
Long-term creditors	(12,698)	(8,895)
Total	**(799,233)**	**(836,493)**
Less than 1 year	(533,948)	(585,017)
Between 1 and 2 years	(5,752)	(11,903)
Between 2 and 5 years	(25,132)	(22,424)
Between 5 and 10 years	(46,851)	(42,490)
Between 10 and 20 years	(68,247)	(83,756)
Between 20 and 30 years	(31,689)	(3,295)
Between 30 and 40 years	(24,157)	(24,163)
Between 40 and 50 years	(25,161)	(25,174)
Over 50 years	(38,296)	(38,272)
Total	**(799,233)**	**(836,494)**

The Council has £64m (2019/20: £64m) of LOBO loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

£46m of short-term borrowing in place at 31 March 2021 was taken under approved authority to meet the Council's capital financing and cash flow requirements to the end of the financial year. These loans can be repaid from cash flow maturing deposits and short-term borrowing in 2020/21 if required, thus reducing credit risk.

Market Risk: Interest Rate Risk

The Council is exposed to risks in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council.

The Council has £465m short-term (less than 12 months) loans so there is an interest rate risk if the rates go up. The Council holds a £75m "pay fixed receive variable" interest rate swap to partly offset this risk. If there is a 0.5% increase in the bank rate it will cost an additional £1.950m per year (i.e the impact is calculated on a net basis).

The Council has £64m (2019/20: £64m) of LOBO loans with fixed interest rates and with maturity dates between 2031 and 2078 where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty.

In the current low interest rate environment, the likelihood of the lender increasing the rate is low, however, the likelihood will increase in later years should market interest rates rise. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise;
- borrowings at fixed rates – the fair value of the liabilities will fall;
- investments at variable rates – the interest income will rise;
- investments at fixed rates – the fair value of the assets will fall;
- pay fixed receive variable hedge transaction – the fair value of the assets will rise.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement.

However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate. Movements in the fair value of interest rates swaps will be reflected in the Surplus or Deficit on the Provision of Services.

The Council has a number of strategies for managing interest rate risk. The Council seeks to minimise this risk through expert advice on forecasts of interest rates received from our treasury management consultants. This is used to formulate a strategy for the year for both investments and borrowing. This strategy is periodically reviewed during the year to update for any modifications required in the light of actual movements in interest rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. Interest rate risk is also managed using interest rate swaps, and the Council currently holds a £75m interest rate swap maturing in 2040 with a strike rate of 0.56%. Changes in the fair value of the swap are taken to an earmarked reserve.

Market Risk: Price Risk

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investment fund of £26.868m. A 1% fall in commercial property prices would result in a £0.269m charge to the surplus or deficit on the provision of services, which is then transferred to the pooled investment fund adjustment account.

The Council's investments in pooled investment funds is subject to the risk in falling share prices. The risk is limited by the Council's maximum exposure to equity investments of £28.097m. A 1% fall in share prices would result in a £0.281m charge to the surplus or deficit on the provision of services, which is then transferred to the pooled investment fund adjustment account.

19 Debtors

19.1 Short-Term Debtors

Debtors due within the next 12 months are:

Category of Debtor	31 March 2020	31 March 2021
	£000	£000
Amounts falling due in one year:		
Central government departments	4,182	48,174
NHS bodies	1,026	833
Other local authorities	4,068	3,311
Other entities and individuals	41,981	43,641
Total Short Term Debtors	**51,257**	**95,959**

19.2 Long-Term Debtors

Debtors due after 12 months are:

Category of Debtor	31 March 2020	31 March 2021
	£000	£000
Secured debt	273	1,142
Other loans/mortgages	11,318	12,398
Total Long-term Debtors	**11,591**	**13,540**

19.3 Bad Debt Provision

Analysis of Provision Held	31 March 2020	Provision Made in Year	Provision Used in Year	31 March 2021
	£000	£000	£000	£000
General fund	(1,625)	(1,992)	340	(3,277)
Housing benefit overpayments provision	(4,350)	(706)	257	(4,799)
Collection fund	(7,253)	(3,116)	1,752	(8,617)
Total Provisions for Bad Debt	**(13,228)**	**(5,814)**	**2,349**	**(16,693)**

20 Creditors

20.1 Short-Term Creditors

Creditors payable within the next 12 months are:

Category of Creditor	31 March 2020	31 March 2021
	£000	£000
Central government departments	(9,506)	(35,792)
Corporations and trading funds	(27)	(7)
NHS bodies	(1,707)	(398)
Other local authorities	(1,908)	(2,534)
Other entities and individuals	(51,374)	(72,231)
Total Short-term Creditors	**(64,522)**	**(110,962)**

20.2 Long-Term Creditors

Creditors payable after 12 months are:

Category of Creditor	31 March 2020	31 March 2021
	£000	£000
Other local authorities	(12,561)	(8,770)
Other entities and individuals	(137)	(125)
Total Long-term Creditors	**(12,698)**	**(8,895)**

The amount included within the other Local Authorities relates to a liability to Devon County Council for unfunded pension liabilities relating to pre Local Government Re-organisation (that is pre 1 April 1998).

20.3 Other Long-Term Liabilities

Analysis of Other Long-term Liabilities	31 March 2020	31 March 2021
	£000	£000
PFI finance leases	(100,567)	(97,043)
Other finance leases	(1,465)	(1,412)
Cornwall Council - re Tamar Bridge and Torpoint Ferry Joint Committee	(16,620)	(18,412)
Total	**(118,652)**	**(116,867)**

21 Provisions

The Council has a number of budget provisions set up to meet known liabilities. The balance on the provisions at year end together with movement in the year is outlined as follows:

Analysis of Provisions Held	31 March 2020	Provisions Made in Year	Payments Used in Year	Unused Amounts Reversed in Year	31 March 2021
	£000	£000	£000	£000	£000
Insurance provision	(2,886)	(2,817)	2,030	203	(3,470)
Landfill site provision	(8,042)	(932)	307	0	(8,667)
Other provisions	(1,929)	(7,056)	0	0	(8,985)
Total Provisions	**(12,857)**	**(10,805)**	**2,337**	**203**	**(21,122)**

The provisions include short-term provisions of £3.065m (2019/20: £2.987m) and long-term provisions of £18.057m (2019/20: £9.870m).

Details about the main provisions held are as follows:

Insurance Provisions

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

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

Landfill Site Provision

The Council has a provision of £8.667m as at 31 March 2021 to reflect the Council's on-going liability for the closed landfill site at Chelson Meadow. The provision has been calculated on the future maintenance costs over the next 47 years and is reviewed each year to take into account the actual maintenance costs spent in the year.

Other Provisions

Included in Other Provisions is a provision of £8.945m as at 31 March 2021 (2019/20: £1.889m) for business rate appeals.

22 Unusable Reserves

The Council holds a number of unusable reserves in the Balance sheet. Some are required to be held for statutory reasons and some are needed to comply with proper accountancy practice.

Analysis of Reserves	Note	31 March 2020	31 March 2021
		£000	£000
Unusable Reserves:			
Revaluation Reserve	22.1	246,913	263,961
Capital Adjustment Account	22.2	198,648	180,484
Financial Instruments Adjustments Account	22.3	(26,598)	(26,044)
Pensions Reserve	22.4	(467,951)	(597,660)
Collection Fund Adjustment Account	22.5	(1,621)	(34,309)
Accumulating Compensated Absences Adjustment Account		(1,604)	(2,058)
Deferred Capital Receipts		16	11
Pooled Investment Fund Adjustment Account		(4,111)	(2,618)
Total Unusable Reserves		**(56,308)**	**(218,233)**

22.1 Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of service and the gains are consumed through depreciation, or;
- disposed of and the gains are realised.

The Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

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

Movement in Revaluation Reserve	2019/20	2020/21
	£000	£000
Balance at 1 April	**220,596**	**246,913**
Upward revaluation of assets	51,698	39,097
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the Provision of Services	(6,072)	(10,628)
Surplus or (Deficit) on the Revaluation of Non-current Assets Not Posted to the (Surplus) or Deficit on the Provision of Services	**45,626**	**28,469**
Release of Investment Property Balance	(1,927)	0
Difference between fair value depreciation and historical cost depreciation	(17,197)	(7,827)
Accumulated gains on assets sold or scrapped	(185)	(3,594)
Amount Written Off to the Capital Adjustment Account	**(19,309)**	**(11,421)**
Balance at 31 March	**246,913**	**263,961**

22.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations. These are then charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

The following table shows the transactions posted to the account during the year:

Movement in Capital Adjustment Account	2019/20	2020/21
	£000	£000
Balance at 1 April	**204,544**	**198,648**
Release of Investment Property balance in the Revaluation Reserve	1,927	0
Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(39,069)	(35,649)
Revaluation losses on Property, Plant and Equipment	(10,923)	465
Amortisation of intangible assets	(7)	(7)
Revenue expenditure funded from capital under statue	(10,588)	(20,483)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(446)	(5,640)
Adjusting amounts written out of the Revaluation Reserve	17,197	7,827
Revaluation losses on Share Purchase	(60)	(60)
Capital Financing Applied in the Year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	1,661	1,843
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	14,425	21,674
Amounts Reserved for Future Capital Funding:		
Statutory provision for the financing of capital investment charged against the General Fund (includes TBTF element)	10,872	19,721
Capital expenditure charged against General Fund	523	533
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	5,526	(8,300)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	256	0
Other Movement on the CAA in Year:		
Landfill Site Provision	944	(934)
Write down of long-term debtors	(458)	(1,478)
Deferred credit - Energy from Waste	2,324	2,324
Balance at 31 March	**198,648**	**180,484**

22.3 Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for the accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the account to manage premiums paid and discounts received on the early redemption of loans. During the year there was no early redemption of LOBO loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the net expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on Council Tax payers. In the Council's case this period is the unexpired term that was outstanding on loans when they were redeemed.

Movement in Financial Instruments Adjustment Account	2019/20	2020/21
	£000	£000
Balance at 1 April	**(27,227)**	**(26,598)**
Opening balance adjustment	20	0
Financial Instruments written off	0	(57)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory	544	544
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	65	67
Balance at 31 March	**(26,598)**	**(26,044)**

22.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service. The liabilities are updated to recognise and to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements require any benefits earned to be financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible (i.e. enhanced pensions). The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Movement in Pension Reserve	2019/20	2020/21
	£000	£000
Balance at 1 April	**(554,631)**	**(467,951)**
Opening balance adjustment	0	10
Actuarial gains or losses on pensions assets and liabilities	49,409	(110,721)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(49,586)	(37,569)
Employer's pensions contributions and direct payments to pensioners payable in the year	85,682	14,781
(Increase)/decrease in Plymouth's share of next deficit in year of Devon County Council Pension Fund	1,175	3,790
Balance at 31 March	**(467,951)**	**(597,660)**

22.5 Collection Fund Adjustment Account

The collection fund adjustment account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the collection fund.

Collection Fund Adjustment Account	2019/20	2020/21
	£000	£000
Balance at 1 April	**5,514**	**1,621**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated from the year in accordance with statutory requirements	(3,893)	32,688
Balance at 31 March	**1,621**	**34,309**

23 Notes to the Cash Flow

23.1 Cash Flow Statement – Operating Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

Analysis of Operating Activities	2019/20	2020/21
	£000	£000
Net Surplus or (Deficit) on the Provision of Services	**(61,378)**	**(18,752)**
Adjust net surplus or deficit on the provision of services for non-cash movements:		
Depreciation	49,992	35,190
Impairment and downward valuations	(19,125)	(7,827)
Amortisation	7	0
Impairment losses on investments debited to surplus or deficit on the Provision of Services in year	4,112	59
Adjustments for effective interest rates	39	1,255
(Increase)/decrease in interest creditors	(607)	5,038
(Increase)/decrease in creditors	2,428	2,615
(Increase)/decrease in interest and dividend debtors	(107)	2,946
(Increase)/decrease in debtors	5,264	(8,731)
(Increase)/decrease in inventories	12	154
Pension liability	(37,271)	18,999
Contributions to/(from) Provisions	(1,745)	8,265
Donations	(256)	0
Carrying amount of non-current assets sold	446	5,640
Movement in Investment Property values	(5,526)	8,300
Total	**(2,337)**	**71,903**
Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities		
Capital grants credited to surplus or deficit on the Provision of Services	(16,150)	(22,248)
Proceeds from the sale of short-term and long-term investments	5,416	0
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,209)	(466)
Total	**(12,943)**	**(22,714)**
Net Cash Flows from Operating Activities	**(76,658)**	**30,437**

The cash flows for operating activities include the following items:

Analysis of Interest Paid and Received	2019/20	2020/21
	£000	£000
Interest received	3,363	7,535
Interest paid	(16,398)	(15,593)

23.2 Cash Flow Statement – Investing Activities

Analysis of Investing Activities	2019/20	2020/21
	£000	£000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(113,944)	(83,089)
Purchase of short-term and long-term investments	(20,000)	(7,304)
Other payments for Investing Activities	(4,099)	4,434
Proceeds from the sale of Property, Plant and Equipment, Investment Properties and Intangible Assets	2,231	471
Proceeds from short-term and long-term investments	4,893	12,000
Other Receipts from Investing Activities	54,939	42,266
Net Cash Flows from Investing Activities	**(75,980)**	**(31,222)**

23.3 Cash Flow Statement – Financing Activities

Analysis of Financing Activities	2019/20	2020/21
	£000	£000
Cash receipts of short-term and long-term borrowing	754,464	99,053
Billing Authorities - Council Tax and NDR adjustments	1,014	2,962
Repayment of short-term and long-term borrowing	(592,501)	(94,505)
Payments for the reduction of a finance lease liability	(49)	(99)
Payments for the reduction of a PFI liability	(3,363)	(3,557)
Net Cash Flows from Financing Activities	**159,565**	**3,854**

23.4 Cash Flow Statement – Cash and Cash Equivalents

Analysis of Cash and Cash Equivalents	2019/20	2020/21
	£000	£000
Cash and bank balances	379	440
Cash Investments - regarded as cash equivalents	37,715	40,974
Tamar Bridge and Torpoint Ferry	696	445
Net Cash Flows from Cash and Cash Equivalents	**38,790**	**41,859**

24 Pooled Budgets – Integrated Fund

The Council has a pooled budget arrangement with the Devon Clinical Commissioning Group (Devon CCG), under Section 75 of the NHS Act 2006, to enable an integrated approach to commissioning a range of health, public health and social care services to meet the needs of people living in the Plymouth area. The pooled budget is currently hosted by Devon CCG on behalf of the two partners to the agreement, although the two partners keep their own accounts in their separate ledgers. All spend is allocated a lead commissioner. The risk share allows for the Council and Devon CCG to share the risk and reward of over and under-spends, up to the value of 0.5% of the agreed applicable value of the Integrated Fund, is proportional to the value of the contribution of each party to the Integrated Fund and also ensures that the risk to each partner is capped. In 2020/21, because of the global pandemic, and

its effects on the costs of health and social care, it was agreed to amend the risk share for the year to 0% risk on both parties to the agreement. This decision will be reviewed for 2021/22.

Pooled Budget - Integrated Fund	2019/20	2020/21
	£000	£000
Contribution to the Pooled Budget:		
Plymouth City Council's contribution:		
Pooled	183,847	191,784
Aligned	71,722	76,868
Total Plymouth City Council	**255,569**	**268,652**
Devon CCG's contribution:		
Pooled	139,155	165,884
Aligned	241,662	221,118
Total Devon CCG	**380,817**	**387,002**
Total Combined Integrated Fund	**636,386**	**655,654**
Expenditure Met from the Pooled Budget:		
Plymouth City Council	255,680	274,755
Devon CCG	380,982	390,350
Total Expenditure on Integrated Fund	**636,662**	**665,105**
Net (Surplus)/Deficit on the Integrated Fund During the Year	**276**	**9,451**

The figures above include amounts of the Plymouth Better Care Fund, of whom the lead commissioners are:

Plymouth Better Care Fund	2019/20	2020/21
	£000	£000
Devon CCG Lead Commissioner	10,334	10,904
Plymouth City Council Lead Commissioner	11,081	11,415
Total Plymouth Better Care Fund	**21,415**	**22,319**

On 1 April 2019, NEW Devon CCG merged with South Devon CCG and is now known as Devon CCG.

25 Members' Allowances

The Council paid the following amounts to members of the council during the year:

Analysis of Members' Allowances	2019/20	2020/21
	£000	£000
Basic allowance	627	644
Special responsibility	375	373
Travel, subsistence and other expenses	2	0
Total	**1,004**	**1,017**

The Council is required to publish details of payments made to its Members and these can be found on the Council's website, or you can obtain a copy, in writing, from the Democratic Support Officer, Chief Executive Office, Ballard House, Plymouth PL1 3BJ.

26 Officers' Remuneration

26.1 Senior Employees

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

Senior Management Post	Financial Year	Salaries, Fees and Allowances	Compensation for Loss of Office	Pension Contributions	Total Remuneration	Notes
Salary over £150,000		£	£	£	£	
Tracey Lee - Chief Executive (Head of Paid Service)	2020/21	163,573	0	27,153	190,726	
	2019/20	188,551	0	23,402	211,953	Includes election duty payments as the Returning Officer.
Salary over £50,000 but less than £150,000						
Assistant Chief Executive	2020/21	121,001	0	20,086	141,087	Includes additional duties payments from 2019/20.
	2019/20	123,762	0	15,988	139,750	Includes additional duties payments and election duty payments as Deputy Returning Officer.
Director of Children's Services	2020/21	128,438	0	21,321	149,759	
	2019/20	125,000	0	18,375	143,375	Post shared with Torbay Council until 10 January 2020.
Director of Public Health	2020/21	108,553	0	15,610	124,163	
	2019/20	107,837	0	15,507	123,344	
Strategic Director of Customer and Corporate Services	2020/21	128,438	0	21,321	149,759	
	2019/20	125,915	0	18,375	144,290	Includes election duty payments.
Strategic Director for People	2020/21	128,438	0	21,321	149,759	
	2019/20	125,445	0	18,375	143,820	
Strategic Director for Place	2020/21	131,499	0	21,829	153,328	
	2019/20	127,980	0	18,813	146,793	

Senior Management Post	Financial Year	Salaries, Fees and Allowances	Compensation for Loss of Office	Pension Contributions	Total Remuneration	Notes
Service Director for Children, Young People and Families	2020/21	97,613	0	16,204	113,817	
	2019/20	69,462	0	10,211	79,673	A new position. Post holder commenced on 8 July 2019.
Service Director for Customer Services and Service Centre	2020/21	74,514	35,977	0	110,491	The post holder left the Council on 18 December 2020.
	2019/20	88,443	0	0	88,443	Includes election duty payments.
Service Director for Community Connections	2020/21	77,521	0	12,868	90,389	
	2019/20	75,891	0	11,091	86,982	Includes election duty payments.
Service Director for Economic Development	2020/21	100,485	0	16,800	117,285	
	2019/20	97,526	0	14,479	112,005	
Service Director for Education, Participation and Skills	2020/21	34,678	0	5,757	40,435	A new post holder commenced 16 November 2020.
	2020/21	79,521	0	13,200	92,721	The post holder left the Council on 31 December 2020.
	2019/20	102,428	0	15,057	117,485	
Service Director for Finance (Section 151 Officer)	2020/21	37,333	0	6,197	43,530	A new post holder commenced 23 November 2020.
	2020/21	68,390	0	0	68,390	The post holder left the Council on 15 December 2020.
	2019/20	100,000	0	0	100,000	Includes acting up payments for Interim Strategic Director for Transformation and Change.
Service Director for HR and Organisational Development	2020/21	97,613	0	16,204	113,817	
	2019/20	67,800	0	9,948	77,748	A new post holder commenced 15 July 2019. Includes election duty payments.
Service Director for Integrated Commissioning	2020/21	94,111	0	15,622	109,733	
	2019/20	92,492	0	13,464	105,956	Includes election duty payments.
Service Director for Strategic Planning and Infrastructure	2020/21	101,205	0	16,800	118,005	
	2019/20	98,496	0	14,479	112,975	

Senior Management Post	Financial Year	Salaries, Fees and Allowances	Compensation for Loss of Office	Pension Contributions	Total Remuneration	Notes
Service Director for Street Services	2020/21	84,121	0	13,964	98,085	
	2019/20	36,866	0	11,910	48,776	Role covered by Service Lead (SS&W) from 16 September 2019. Appointed to role 03 February 2020.
	2019/20	16,416	0	2,413	18,829	The post holder left the Council on 31 May 2019.
Head of Legal Services (Monitoring Officer)	2020/21	71,102	0	11,803	82,905	Role covered by the Assistant Head of Legal Services.
	2019/20	69,399	0	10,172	79,571	

Salaries, fees and allowances include expenses such as travel and subsistence. Local authorities receive a government grant for national election duties.

26.2 Remuneration Above £50,000

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

The following numbers do not include the senior management as disclosed in note 26.1.

Remuneration Bandings	2019/20		2020/21	
	Schools	Non-schools	Schools	Non-schools
£50,000 - £54,999	17	26	18	45
£55,000 - £59,999	12	28	14	27
£60,000 - £64,999	3	4	6	2
£65,000 - £69,999	3	8	1	9
£70,000 - £74,999	3	2	2	4
£75,000 - £79,999	4	2	2	3
£80,000 - £84,999	1	1	3	1
£85,000 - £89,999	2	2	2	3
£90,000 - £94,999	1	0	2	0
£95,000 - £99,999	0	1	1	0
£100,000 - £104,999	0	0	0	1
Total	**46**	**74**	**51**	**95**

26.3 Employee Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Banding	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
							£000	£000
£00,001 - £20,000	24	6	33	74	57	80	481	851
£20,001 - £40,000	4	1	6	27	10	28	265	749
£40,001 - £60,000	1	2	1	0	2	2	96	92
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	2	0	0	0	2	0	211	0
Total	**31**	**9**	**40**	**101**	**71**	**110**	**1,053**	**1,692**

The Council terminated the contracts of a number of employees in 2020/21, including school based staff, incurring liabilities of £1.692m (2019/20: £1.053m). This includes a sum of £0.093m to the pension fund in respect of pension strain payments (for example, of the payments in the £40,001 - £60,000 band, 61% relates to the strain payment). The Council's expenditure on Schools is primarily funded by the Dedicated Schools Grant Provided by the Department of Education.

27 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

Analysis of External Audit Costs	2019/20	2020/21
Audit Area:	**£000**	**£000**
Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor for the year	105	186
Additional fees payable to Grant Thornton LLP with regard to extended audit services carried out by the appointed auditor for the year	120	81
Fees payable in respect of other services provided by Grant Thornton LLP during the year	18	29
Total	**243**	**296**

28 Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are shown in the following table:

Analysis of Dedicated Schools Grant		2020/21		
		Central Expenditure	Individual Schools Budget	Total
Note		**£000**	**£000**	**£000**
A	Final DSG before academy and high needs recoupment			218,216
B	Academy and high needs figure recouped			(144,787)
C	**Total DSG after Academy and high needs recoupment**			**73,429**
D	Brought forward from 2019/20			(202)
E	Carry-forward to 2021/22 agreed in advance			0
F	Agreed initial budgeted distribution in 2020/21	25,548	47,679	73,227
G	In year adjustments	0	(478)	(478)
H	**Final budgeted distribution**	**25,548**	**47,201**	**72,749**
I	Less actual central expenditure	24,639		24,639
J	Less actual ISB deployed to schools		47,225	47,225
K	Plus Local Authority contribution			0
L	**Carry-forward to 2021/22 agreed in advance**	**909**	**(24)**	**885**

A. Final DSG figure before any amount has been recouped from the authority excluding the January 2021 early years block adjustment.

B. Figure recouped from the authority in 2020/21 by the DfE for the conversion of maintained schools into academies and for high needs payments made by ESFA.

C. Total DSG figure after academy and high needs recoupment for 2020/21.

D. Figure brought forward from 2019/20.

E. Any amount which the authority decides after consultation with the school forum to carry forward to 2021/22 rather than distribute in 2020/21. This may be the difference between estimated and final DSG for 2020/21 or a figure brought forward from 2019/20 which the authority is carrying forward again.

F. Budgeted distribution of DSG, adjusted for carry forward, as agreed with the Schools Forum.

G. Changes to the initial distribution, for example, adjustments for exclusions, or final early years block adjustment.

H. Budgeted distribution of DSG as at the end of the financial year.

I. Actual amount of central expenditure items in 2020/21.

J. Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the authority once it is deployed to schools budget shares).

K. Any contribution from the Local Authority in 2021/22 which has the effect of substituting for DSG in funding the Schools Budget.

L. Carry forward to 2021/22:

- For central expenditure – difference between final budgeted distribution of DSG and the actual expenditure.
- For ISB – difference between final budgeted distribution and the actual deployed to schools, plus any local authority contribution.
- Total – carry forward on central expenditure plus carry forward on ISB plus/minus carry forward to 2021/22 already agreed.

29 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21:

Credited to Taxation and Non-specific Grant Income and Expenditure	2019/20	2020/21
	£000	£000
Section 31 Grants	(6,277)	(36,060)
Capital Grants and Contributions	(10,143)	(11,496)
PFI Credits	(6,740)	(6,728)
Revenue Support Grant	(9,533)	(9,688)
Total	**(32,693)**	**(63,972)**

Grants Credited to Services	2019/20	2020/21
	£000	£000
Benefits Admin Grant	(935)	(913)
Dedicated Schools Grant and Other Education Grants	(69,955)	(73,735)
Housing Benefit Subsidy	(68,202)	(64,848)
Learning and Skills Council	(2,946)	(3,050)
Improved Better Care Fund	(10,454)	(11,738)
Transforming Social Care Grant	(2,194)	(7,853)
New Homes Bonus	(4,026)	(3,423)
Public Health Grant	(14,664)	(15,864)
Troubled Families Grant	(1,061)	(957)
Arts Council	(2,032)	(1,337)
Department of Health Grant	0	(7,276)
COVID-19 Emergency Fund	(8,464)	(31,694)
Other Revenue Grants	(14,046)	(22,016)
Total	**(198,979)**	**(244,704)**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the grantor. The grants are held on the Balance Sheet as a creditor in a Grants Receipts in Advance Account and are split between Revenue and Capital Grant Receipts in Advance as follows:

Revenue Grant Receipts in Advance - Current Liabilities	2019/20	2020/21
	£000	£000
Adult Skills Budget, Participation Funding & Support Funds (including OCSW)	96	206
Business role on behalf of SWLEP	145	352
City Deal - A deal for young people	477	292
Controlling Migration Fund (Plymouth Integrate II)	418	121
COVID-19 Additional Dedicated Home to School and College Transport/Travel demand	0	177
COVID-19 Contain Outbreak Management Fund	0	3,148
COVID-19 National Leisure Recovery Fund	0	331
COVID-19 Test and Trace Service	0	1,143
Export Health Certificate Support Fund Grant	0	150
Future High Street Fund	130	0
Green Minds	0	945
HB New Burdens (Welfare Reform)	188	0
Heating and Cooling Network Grant (ESCo/HNDU)	208	135
iMayflower	372	290
Local Authority EU Exit Preparation (BREXIT)	67	124
ODPH Ringfenced Grant	261	0
One Public Estate Phase 4	203	304
RegEnergy	8	111
South Yard Marine Business Technology (16R16P01307)	168	0
Syrian Resettlement Programme (SRP)	0	665
Universal Credit Funding (From 20-21 included in HB New Burdens Welfare Reform)	88	0
Other	406	456
Total	**3,235**	**8,950**

Capital Grant Receipts in Advance - Current Liabilities	2019/20	2020/21
	£000	£000
Department for Transport	18,466	25,111
Environment Agency	285	0
Highways England	0	189
Sport England	539	199
Football Foundation	1,190	1,189
Historic England	272	30
Heritage Lottery Fund	222	0
Arts Council	0	725
Growth Deal	0	14,379
Growth and Housing Fund	4,470	4,470
Homes England	375	600
Ministry for Housing, Communities and Local Government	5,171	5,545
European Regional Development Fund	0	1,258
Garfield Weston Foundation	250	0
Department for Business, Energy and Industrial Strategy	289	9,841
Warm Homes Fund	239	567
Heatnet	0	400
Office of Police & Crime Commissioner	0	326
S278 Agreements	199	199
Other	439	309
Total	**32,406**	**65,337**

Capital Grant Receipts in Advance - Long-term Liabilities	2019/20	2020/21
	£000	£000
Heritage Lottery Fund	12,123	12,617
Arts Council	3,150	3,966
European Regional Development Agency	1,007	2,247
Department for Transport	283	2,103
Section 106	16,455	16,486
Growth Deal	43,538	30,212
Homes England	11,920	10,421
Total	**88,476**	**78,052**

30 Related Parties

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

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

Related Party Transactions	Details of Arrangement	2019/20			2020/21		
		Receipts	Payments	Outstanding Balances/ Commitments	Receipts	Payments	Outstanding Balances/ Commitments
Subsidiaries, Associates and Joint Arrangements		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Subsidiaries							
Arca (Plymouth) Ltd	Arca is responsible for the administration and management of The Box and St Luke's Church and is a wholly owned by the Plymouth City Council.	0	0	0	(227)	95	(245)
CATER[ed] Ltd	CATER[ed] is a co-operative trading company which is jointly owned by 67 local schools and Plymouth City Council. Plymouth City Council is the majority shareholder with 51% of the shares.	(160)	1,446	(182)	(147)	995	138
Plymouth Investment Partnerships Ltd (PIP)	PIP invests in the promotion, assistance and establishment of business to improve the employment and economy of Plymouth and its surrounding area. Plymouth City Council has full ownership of PIP.	(264)	1	0	(78)	0	78
Joint Arrangements							
DELT Shared Services Ltd	DELT provide ICT and systems to partners. DELT is jointly and equally controlled and owned by Plymouth City Council and Devon CCG.	(536)	11,998	(154)	(242)	11,875	5
Plymouth Science Park Ltd	Plymouth Science Park is a science and technology park for businesses and provide provision of support, advisory and facilities management services. Plymouth Science Park is jointly and equally owned by Plymouth City Council and Plymouth University.	(62)	27	0	(326)	3	(1,956)

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of transactions with Government Departments are set out in note 29.

Members and Officers

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

The total of members allowances paid in 2020/21 is disclosed in note 25.

Members and Officers of the Council have returned 76 declarations of Related Party Transactions for 2020/21, a response rate of 90 per cent.

A Councillor has a related party with TEC Construction Ltd. Payments totaling £0.442m were made by the Council to this company.

Other Interests in Companies

There are a number of companies which are also linked to the Council which fall under the definition of an assisted organisation. This includes the provision of financial assistance to voluntary organisations. However they are not considered material in financial terms. Examples include Access Plymouth Limited, Plymouth Citizens Advice Bureaux and the Shekinah Mission (Plymouth) Limited. Independent Futures and the Plymouth City Centre Company Limited are examples of larger organisations supported by the Council.

- ### DELT Shared Services Limited

  DELT was launched 1 October 2014 and is a publicly owned private limited company (09098450). It was set up to deliver ICT services and systems to its partners; Plymouth City Council and Devon Clinical Commissioning Group. 2020/21 was the sixth year in which DELT was operational.

  DELT is jointly and equally controlled by its partners with both partners carrying equal full voting rights. The collaborative arrangement is classed as a joint venture.

  For more information about DELT and its financial performance, please visit the DELT Services website.

- ### CATER[ed] Limited

  CATER[ed] is a co-operative trading company (09355912) which is jointly owned by Plymouth City Council and 67 local schools, providing all school meals in the city. CATER[ed] is 49 per cent owned by schools and 51 per cent by the Council and serves almost 2.5 million meals to Plymouth school children every year.

  Plymouth City Council is the majority shareholder of CATER[ed] with 51 per cent of shares and voting rights allocated one vote per share. The collaborative arrangement is classed as a subsidiary of the Council.

  For more information about CATER[ed] and its financial performance, please visit the CATER[ed] website.

- ### Arca (Plymouth) Limited

  Arca (Plymouth) Ltd is a wholly owned subsidiary of the Council which is responsible for the administration and management of The Box and St Luke's Church which opened in September 2020.

Joint Committees

The Council is a member of a couple of joint committees where local authorities have joined together to provide a service. These are listed as follows:

- **Devon Audit Partnership**

  From April 2009 Plymouth City Council set up a Joint Committee with Devon County Council and Torbay Council for the provision of a shared internal audit service. The service is also able to provide audit services to other organisations. This is a shared service arrangement and is constituted under section 20 of the Local Government Act 2000.

  Devon County Council is the host Council for the Joint Committee with all staff now employed by Devon County Council. Assets and Liabilities of the Joint Committee are split on an agreed basis (number of FTE's on inception of the Committee); Plymouth's share equates to 27 per cent and its contribution to the partnership for 2020/21 was £0.331m (2019/20: £0.332m).

- **South West Devon Waste Disposal Partnership**

  Plymouth City Council, Torbay Council and Devon County Council are now working together and have jointly contracted a PFI project for an Energy from Waste Plant (based in Plymouth) to dispose of residual waste collected by the three Councils. As part of the Joint Working Agreement between the three Councils the South West Devon Waste Partnership Joint Committee has been established to facilitate the procurement and subsequent operation and management of the facilities (by the selected contractor). The Plant became operational in April 2015.

  Plymouth is the Lead Authority with the expenditure associated with this project is incurred and then allocated on an estimated tonnage share basis to Torbay and Devon County Councils. Plymouth's share of the expenditure is reflected within the cost of services on the Comprehensive Income and Expenditure Statement.

For more information about external bodies which Plymouth City Council have an interest in please visit the Council's website.

31 Capital Expenditure and Capital Financing

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

Capital Financing Requirements	2019/20	2020/21
	£000	£000
Opening Capital Financing Requirement 1 April	**568,585**	**667,608**
Capital Investment		
Property, Plant and Equipment	65,733	57,203
Investment Properties	47,576	26,558
Heritage Assets	217	1,304
Assets Held for Sale	154	0
Initial recognition of Donated Assets	256	0
Revenue Expenditure Funded from Capital Under Statute	10,588	20,483
Initial recognition of share purchase	60	60
Other capital expenditure	1,426	3,544
Total	**126,010**	**109,152**
Sources of Finance		
Capital Receipts	(1,661)	(1,843)
Other movements in Long-Term Debtors	185	(117)
Grants and Contributions applied in year	(14,425)	(21,674)
Revenue and Other Funds	(523)	(533)
Minimum Revenue Provision	(10,872)	(19,721)
Use of landfill provision	309	309
Total	**(26,987)**	**(43,579)**
Closing Capital Financing Requirement 31 March	**667,608**	**733,181**
Explanation of Movement in Year		
Increase in underlying need to borrow	92,271	61,286
Increase in underlying need to borrow resulting from other changes in capital financing requirement	6,752	4,287
Increase/Decrease in Capital Financing Requirement	**99,023**	**65,573**

32 Leases

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

Operating Leases - Authority as a Lessor	31 March 2020	31 March 2021
	£000	£000
Not later than one year	12,028	15,208
Later than one year and not later than five years	39,789	51,874
Later than five years	286,353	225,476
Total	**338,170**	**292,558**

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

33 Private Finance Initiatives (PFI) and Similar Contracts

33.1 Schools PFI

The Council makes an agreed payment each year, part of which is subject to an annual inflation increase, and can be reduced if the contractor fails to meet availability and performance standards in any one year but which is otherwise fixed. A total payment of £5.687m was made in 2020/21 (2019/20: £5.622m). Payments remaining to be made under the PFI contract at 31 March 2021, excluding any estimation of inflation and availability/performance deductions, are as follows:

PFI Outstanding Liabilities	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Total payments to operator in 2020/21	2,555	1,042	2,090	5,687
Payable in 2021/22	2,594	1,136	1,999	5,729
Payable within two to five years	11,122	5,596	6,888	23,606
Payable within six to ten years	16,045	9,610	5,542	31,197
Payable within eleven to fifteen years	8,315	6,548	965	15,828
Total	**38,076**	**22,890**	**15,394**	**76,360**

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

Movement in PFI Liability	2019/20	2020/21
	£000	£000
Balance outstanding 1 April	24,925	23,932
Payments during the year	(993)	(1,042)
Balance Outstanding 31 March	**23,932**	**22,890**

The Council has secured PFI credits to the value of £53m, to which interest is added resulting in total Government support of £105.871m over the contract period, and this together with an annual contributions from the Council and the schools which will be used to meet the running costs of the contract, including the loan repayments.

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

33.2 South West Devon (SWD) Energy from Waste (EfW) Partnership

2015/16 was the first year of operation of the EfW public/private service concession arrangement whereby the SWD local authority partnership granted the right to MVV Umwelt (MVVU), the operator, to treat and render inert waste that otherwise would have been disposed of in landfill sites. The SWD partnership comprising Plymouth City Council, Devon County Council and Torbay Council appointed MVVU under a fixed price contract to finance, construct and design the 245,000 tonne capacity facility and to maintain it to a minimum acceptable condition over a 50 year term.

PFI Outstanding Liabilities	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Total payments to operator in 2020/21	3,927	197	3,632	7,756
Payable in 2021/22	4,282	65	3,620	7,967
Payable within two to five years	17,104	2,351	14,025	33,480
Payable within six to ten years	25,660	5,126	15,826	46,612
Payable within eleven to fifteen years	29,684	11,165	11,503	52,352
Payable within sixteen to twenty years	23,394	14,820	3,460	41,674
Total	**100,124**	**33,527**	**48,434**	**182,085**

The EfW facility is located on MOD land at Camel's Head, North Yard in Devonport Dockyard, Plymouth. The SWD partnership specifies the activities offered by the facility, the opening hours and the expected minimum standard of service to be provided by the operator. MVVU is required to receive all the residual waste from the defined area of the local authority partnership for which the councils are obliged to pay a fixed gate fee based on a guaranteed minimum tonnage of waste, with an additional charge for any extra waste delivered by the councils over and above the contractual waste.

Movement in PFI Liability	2019/20 Plymouth Share	2019/20 Deferred Income	2020/21 Plymouth Share	2020/21 Deferred Income
	£000	£000	£000	£000
Balance outstanding 1 April	33,819	48,797	33,725	46,473
Payments during the year	(94)	(2,324)	(197)	(2,324)
Balance Outstanding 31 March	**33,725**	**46,473**	**33,528**	**44,149**

Under a separate 25 year agreement between the operator and the MOD, MVVU processes the waste to provide environmentally sustainable heat and electricity to HM Naval Base Devonport. Power is sold at a capped, index linked, guaranteed base price, with any surplus electricity being exported to the National Grid based on a long-term Power Purchase Agreement (PPA) to a company within the MVV group.

The SWD partnership receives 50% of the income earned by EVVU from any excess waste it processes or any excess energy it supplies to third parties. EMVU 3rd party revenues are unrestricted and the SWD partnership is obliged to compensate the operator for any loss of third party income should the councils exceed their contractual maximum tonnage.

Income and expenditure, assets and liabilities are recorded in each of Plymouth City Council, Devon County Council and Torbay Council's Statements of Accounts respectively in the ratio 48:35:17. Plymouth City Council's share of the total construction costs of £195.324m is carried at depreciated replacement cost in its balance sheet as detailed in note 15.1 (Property, Plant and Equipment) together with a corresponding liability.

34 Pensions

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

34.1 Pension Scheme Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension scheme administered by Capita Teachers Pensions on behalf of the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the cost by making contributions based on a percentage of member's pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/21, Plymouth City Council paid £3.892m to Teachers' Pensions in respect of teachers' retirement benefits (2019/20: £3.375m). There were no contributions remaining payable at the year-end. In 2020/21 the minimum member contribution was 7.4 per cent of salary, the maximum was 11.7 per cent.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 34.2.

34.2 Defined Benefit Pension Schemes

Local Government Pension Scheme (LGPS)

Plymouth City Council and Tamar Bridge and Torpoint Ferry Joint Committee participate in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme with benefits earned up to 31 March 14 being linked to final salary. Benefits earned after 31 March 14 are based on Career Average Revalued Earnings (CARE). The Plymouth City Council scheme is administered by Devon County Council, however, the Joint Committee Scheme is administered by Cornwall Council and so separate notes have been included to represent Plymouth City Council's 50 per cent interest.

As a result of the High Court's recent Lloyds ruling on the equalisation of Guaranteed Minimum Pension (GMP), a number of pension schemes have made adjustments to accounting disclosures. Barnett Waddingham (Council actuaries) have made the valuation assumption that they do not need to make any adjustments to the value placed on the liabilities as a result of this ruling.

The McCloud/Sargeant cases relate to age discrimination within the Judicial and Fire Pension Schemes respectively. On the 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service pension schemes, including LGPS. The Scheme Advisory Board with consent from MHCLG commissioned the Government Actuary Department (GAD) to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities. This followed a CIPFA briefing note which said that local authorities should consider the materiality of the impact. The estimated cost of the impact of the McCloud/Sargeant judgement have been incorporated into the pension notes as at 31 March 2021.

PENSION INFORMATION FOR PLYMOUTH CITY COUNCIL SCHEME (PCC)

Transactions Relating to Post-Employment Benefits

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

the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the CIES and the General Fund Balance via the MiRS during the year:

Comprehensive Income and Expenditure Statement	2019/20	2020/21
	£000	£000
Cost of Services		
Service cost comprising:		
current service cost	28,668	26,745
past service cost	7,048	98
(gain)/loss from settlements	634	(905)
Financing and Investment Income and Expenditure		
Net interest expense	11,867	10,444
Other Operating Expenditure		
Administration expenses	515	544
Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services	**48,732**	**36,926**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
return on plan assets (excluding the amount included in the net interest expense)	78,635	(162,702)
actuarial gains and losses arising on changes in demographic assumptions	(16,058)	(12,664)
actuarial gains and losses arising on changes in financial assumptions	(115,092)	304,288
experience gain/(loss) on defined benefit obligation	8,945	(20,265)
other	(4,264)	0
Total Premeasurements Recognised in the Comprehensive Income and Expenditure Statement	**(47,834)**	**108,657**
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**898**	**145,583**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(48,732)	(36,926)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:		
employers' contribution payable to the scheme	85,278	14,360
retirement benefits payable to pensioners	3,231	3,178
adjustment re: net increase/(decrease) per LGR pension liability	(1,175)	(3,790)

34.3 Assets and Liabilities in Relation to Post-Employment Benefits (PCC)

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

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are

based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2019/20	2020/21
	£000	£000
Opening Balance at 1 April	**(1,250,004)**	**(1,163,520)**
Current service cost	(28,668)	(26,745)
Interest cost	(29,652)	(26,974)
Contributions by scheme participants	(5,589)	(5,843)
Re-measurement (gain) and losses:		
actuarial gains/losses arising from changes in demographic assumptions	16,058	12,664
actuarial gains/losses arising from changes in financial assumptions	115,092	(304,288)
experience loss/(gain) on defined benefit obligation	(8,945)	20,265
Past service costs, including curtailments	(7,048)	(98)
Liabilities assumed/(extinguished) on settlements	(1,518)	2,249
Benefits paid	34,672	33,941
Unfunded pension payments	2,082	2,058
Closing Present Value of Liabilities	**(1,163,520)**	**(1,456,291)**

Reconciliation of the Movement in the Fair Value of Scheme (Plan) Assets	2019/20	2020/21
	£000	£000
Opening Fair Value of Scheme Assets	**713,571**	**711,467**
Interest income	17,785	16,530
Re-measurement gain/(loss):		
the return on plan assets, excluding the amount included in the net interest expense	(78,635)	162,702
other actuarial gains/(losses)	4,264	0
Administration expenses	(515)	(544)
Contributions from employer	85,278	14,360
Contributions from employees into the scheme	5,589	5,843
Benefits paid	(36,754)	(35,999)
Settlement prices received/(paid)	884	(1,344)
Closing Present Value of Assets	**711,467**	**873,015**
Closing Balance at 31 March	**(452,053)**	**(583,276)**

34.4 Scheme History (PCC)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £583.276m is shown as a negative balance and therefore has an impact on the net worth of the Council as recorded in the Balance Sheet. However the negative balance that arises measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 is £12.231m.

34.5 Basis for Estimating Assets and Liabilities (PCC)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2021.

Basis for Estimating Assets and Liabilities	2019/20	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	22.9	22.6
women	24.1	23.9
Longevity at 65 for future pensioners:		
men	24.3	24.0
women	25.5	25.4
Rate of inflation (CPI)	1.90%	2.80%
Rate of increase in salaries	2.90%	3.80%
Rate of increase in pensions	1.90%	2.80%
Rate for discounting scheme liabilities	2.35%	2.00%

Impact on the Defined Benefit Obligation in the Scheme	Decrease in Assumption	No Change	Increase in Assumption
	£000	£000	£000
Longevity (increase or decrease in 1 year)	1,392,768	1,456,921	1,522,795
Rate of increase in salaries (increase or decrease by 0.1%)	1,453,994	1,456,921	1,458,607
Rate of increase in pensions (increase or decrease by 0.1%)	1,430,255	1,456,921	1,482,842
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,485,415	1,456,921	1,427,765

34.6 Total Assets (PCC)

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

Categories by Proportion of the Total Assets Held	2019/20	2020/21
	%	%
Equities	69	72
Gilts	4	3
Property	13	12
Cash	1	1
Other investments	13	12
Total	**100**	**100**

34.7 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

Pension Assets and Liabilities Recognised in the Balance Sheet	2019/20	2020/21
	£000	£000
Present value of the defined benefit obligation	1,128,448	1,424,510
Fair value of plan assets	(711,467)	(873,015)
Net Liability	**416,981**	**551,495**
Other movements in the liability	35,072	31,781
Net Liability Arising from Defined Benefit Obligation	**452,053**	**583,276**

PENSION INFORMATION FOR TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE (TBTF)

34.8 Transactions in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement (TBTF)

Comprehensive Income and Expenditure Statement	2019/20	2020/21
	£000	£000
Cost of Services		
Service cost	740	564
Financing and Investment Income and Expenditure		
Net interest expense	113	79
Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services	**853**	**643**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
return on plan assets (excluding the amount included in the net interest expense)	680	(1,212)
actuarial gains and losses arising on changes in demographic assumptions	(522)	175
actuarial gains and losses arising on changes in financial assumptions	(1,155)	3,234
experience gain/(loss) on defined benefit obligation	(578)	(133)
Total Premeasurements Recognised in the Comprehensive Income and Expenditure Statement	**(1,575)**	**2,064**
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**(722)**	**2,707**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefit in accordance with the Code	(854)	(643)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:		
Employers' contribution payable to the scheme	404	421

34.9 Assets and Liabilities in Relation to Post-Employment Benefits (TBTF)

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2019/20	2020/21
	£000	£000
Opening Balance at 1 April	**(13,946)**	**(12,528)**
Adjustment to opening balance	0	10
Current service cost	(700)	(564)
Past service cost	(40)	0
Interest cost	(342)	(292)
Contributions from scheme participants	(109)	(111)
Re-measurement (gain) and losses:		
actuarial gains/losses arising from changes in demographic assumptions	521	(175)
actuarial gains/losses arising from changes in financial assumptions	1,155	(3,234)
experience loss/(gain) on defined benefit obligation	579	133
Benefits paid	354	357
Closing Present Value of Liabilities	**(12,528)**	**(16,404)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2019/20	2020/21
	£000	£000
Opening fair value of scheme assets	**9,483**	**9,191**
Interest income	229	213
Re-measurement gain/(loss):		
the return on plan assets, excluding the amount included in the net interest expense	(680)	1,212
Contributions from employer	404	420
Contributions from employees into the scheme	109	111
Benefits paid	(354)	(357)
Closing Fair Value of Scheme Assets	**9,191**	**10,790**
Closing Balance at 31 March	**(3,337)**	**(5,614)**

The liabilities show the underlying commitments that the Joint Committee has to pay in the long run to pay post-employment (retirement) benefits. The total liability of £5.614m has an impact on the net worth of the Council as recorded in the Balance Sheet. However the negative balance that arises measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

The total contributions expected to be made to the Local Government Pension Scheme via the Joint Committee in the year to 31 March 2022 is £0.837m.

34.10 Scheme History (TBTF)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. The Cornwall Council pension scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2021.

34.11 Basis for Estimating Assets and Liabilities (TBTF)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2021.

Basis for Estimating Assets and Liabilities	2019/20	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	21.4	21.5
women	23.6	24.1
Longevity at 65 for future pensioners:		
men	22.3	22.8
women	25.1	25.8
Rate of increase in salaries	1.90%	2.85%
Rate of increase in pensions	1.90%	2.85%
Rate for discounting scheme liabilities	2.30%	2.00%

35 Contingent Assets and Liabilities

35.1 Contingent Assets

The Council has the following contingent assets to report:

Plymouth Airport

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

35.2 Contingent Liabilities

The Council has no known contingent liabilities to report.

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2021

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to Local Authorities and the Government of Council Tax and Non-Domestic Rates.

2019/20				Note	2020/21		
Business Rates	Council Tax	Total			Business Rates	Council Tax	Total
£000	£000	£000	**Income**		£000	£000	£000
0	(136,264)	(136,264)	Council tax receivable	1	0	(140,888)	(140,888)
(89,155)	0	(89,155)	Business rates receivable	2	(39,364)	0	(39,364)
(89,155)	**(136,264)**	**(225,419)**			**(39,364)**	**(140,888)**	**(180,252)**
			Expenditure				
			Apportionment of Previous Year's Surplus/ (Deficit)				
(6,075)	0	(6,075)	Central Government		(1,437)	0	(1,437)
(8,985)	1,655	(7,330)	Plymouth City Council		(349)	1,115	766
0	212	212	Devon and Cornwall Police and Crime Commissioner		0	156	156
(152)	95	(57)	Devon and Somerset Fire and Rescue Service		(18)	64	46
(15,212)	**1,962**	**(13,250)**			**(1,804)**	**1,335**	**(469)**
			Precepts, Demands and Shares				
44,993	0	44,993	Central Government		45,376	0	45,376
44,093	110,807	154,900	Plymouth City Council		44,469	117,482	161,951
0	15,533	15,533	Devon and Cornwall Police and Crime Commissioner		0	16,535	16,535
900	6,331	7,231	Devon and Somerset Fire and Rescue Service		907	6,583	7,490
89,986	**132,671**	**222,657**			**90,752**	**140,600**	**231,352**
			Charges to the Collection Fund				
218	0	218	Renewable Energy Disregard		211	0	211
593	714	1,307	Write offs of uncollectable amounts		253	1,659	1,912
111	1,071	1,182	Increase/(Decrease) in Bad Debt Provision		949	1,218	2,167
1,300	0	1,300	Increase/(Decrease) in Provision for Appeals		14,400	0	14,400
314	0	314	Cost of collection allowance		311	0	311
2,536	**1,785**	**4,321**			**16,124**	**2,877**	**19,001**
(11,845)	**154**	**(11,691)**	**(Surplus)/Deficit for the Year**		**65,708**	**3,924**	**69,632**
			Collection Fund Balance				
14,143	(2,898)	11,245	Balance as at 1 April		2,298	(2,744)	(446)
(11,845)	154	(11,691)	(Surplus)/Deficit for the year (as above)		65,708	3,924	69,632
2,298	**(2,744)**	**(446)**	**Balance as at 31 March**		**68,006**	**1,180**	**69,186**
			Allocated to:				
1,684	0	1,684	Central Government		34,003	0	34,003
591	(2,292)	(1,701)	Plymouth City Council		33,323	985	34,308
0	(322)	(322)	Devon and Cornwall Police and Crime Commissioner		0	140	140
23	(130)	(107)	Devon and Somerset Fire and Rescue Service		680	55	735
2,298	**(2,744)**	**(446)**	**Total Allocated**		**68,006**	**1,180**	**69,186**

NOTES TO THE COLLECTION FUND

1 Council Tax Income

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based on an estimated 1 April 1991 value for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority and the City Council for the forthcoming year and dividing this by the Council Tax base. The tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and estimated collection rates: 74,603 in 2020/21 (2019/20: 73,172).

The basic amount of Council Tax for a Band D property (2020/21: £1,884.65) is multiplied by the proportion specified for the particular band to give an individual amount due. The calculation of the Council Tax Base is shown in the following table:

Band	No of Properties Before Discounts	No of Properties After Discounts	Band D Equivalents	Estimated Collection Rates	Adjusted Band D Equivalents
A	44,612	30,298	20,190	98.0%	19,786
B	31,370	25,884	20,132	98.0%	19,729
C	22,140	19,825	17,622	98.0%	17,270
D	9,233	8,482	8,482	98.0%	8,312
E	4,827	4,566	5,581	98.0%	5,469
F	1,749	1,662	2,400	98.0%	2,352
G	550	518	863	98.0%	846
H	25	18	36	98.0%	35
	114,506	**91,253**	**75,306**		**73,799**
Adjustment for MOD Properties					804
Tax Base Totals			**75,306**		**74,603**

The Council Tax Base was calculated at the time the 2020/21 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 £140.601m (£1,884.65 x 74,603). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £140.888m (2019/20: £136.264m).

2 Income from Business Ratepayers

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government, which was 51.2p in 2020/21 (2019/20: 50.4p).

The administration of NDR is governed by the Business Rates Retention Scheme which was introduced in 2013/14. This aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility of the NDR tax base and non-collection of rates due. In the case of Plymouth, the retained proportion of NDR income is 49 per cent. The remainder is distributed to preceptors: 1 per cent to the Devon and Somerset Fire and Rescue Authority (DSFRA) and 50 per cent to Central Government.

The business rates shares payable for 2020/21 were estimated before the start of the financial year as £45.365m to Central Government, £0.908m to DSFRA and £44.469m to Plymouth City Council. These

sums have been paid during 2020/21 and charged to the Collection Fund in year and include the previous year's deficit.

When the scheme was introduced the Government set a baseline funding level (based on local demand for services) for each authority and applied the system of tariffs and top-ups to ensure all authorities receive their baseline amount. In 2020/21 Plymouth had a baseline amount of £58.335m and received a tariff of £14.835m which was charged to the General Fund and included in note 14.

In addition to the top-up and tariffs, a safety net figure is calculated by Central Government. This mechanism is designed to protect local authorities from large fluctuation in their business rates income. The safety net threshold for Plymouth is £53.960m. As our adjusted retained income is above this level no safety net payment was due to Plymouth for 2020/21.

Section 31 Grant funding for Business Rate reliefs awarded by Central Government in 2020/21 was £6.555m based on the original estimates made in January 2020. Further reliefs of £45,690m were awarded during the year in response to the extended relief scheme introduced in March 2020.

Under the rates retention scheme local authorities became liable for their share of the liability arising from the in-year and backdated impact of successful business rate appeals. Based on the analyses of previous year trends and the list of outstanding appeals provided by the VOA as at 31 March 2021 the Council included a provision of £8.945m.

For 2020/21, the total non-domestic rateable value at the end of the year was £229.973m (2019/20: £230.8m).

The total income from ratepayers in 2020/21 was £38.871m (2019/20: £89.155m), a reduction from 2019/20 due to the Governments extended relief scheme.

This sum included £1.7m of transitional protection payments from ratepayers, which under regulations should have a neutral impact on the Business Rates Retention Scheme and will be repaid to Central Government.

3 Precepts and Demands

3.1 Council Tax

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

3.2 Non-Domestic Rates

As described in note 2 above, the administration of NDR is governed by the Business Rate Retention Scheme.

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

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David Northey
Director of Finance
Plymouth City Council
Floor 1, Ballard House
West Hoe Road
Plymouth
PL1 3BJ

T 01752 305428
www.plymouth.gov.uk

Via Email

15 July 2024

Dear Paul

Plymouth City Council Financial Statements for the year ended 31st March 2021

This representation letter is provided in connection with the audit of the financial statements of Plymouth City Council for the year ended 31st March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

2. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

3. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

4. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

6. Except as disclosed in the financial statements:
    a) there are no unrecorded liabilities, actual or contingent
    b) none of the assets of the Council has been assigned, pledged or mortgaged
    c) there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

7. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

9. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

10. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

11. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached within appendix 1. We have not adjusted the financial statements for these misstatements brought to our attention as they are either immaterial to the results of the Council and its financial position at the year-end or for the reasons noted on the schedule.

12. The financial statements are free of material misstatements, including omissions.

13. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

14. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

15. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

16. We have provided you with:
    a) access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
    b) additional information that you have requested from us for the purpose of your audit; and
    c) unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

17. We have communicated to you all deficiencies in internal control of which management is aware.

18. All transactions have been recorded in the accounting records and are reflected in the financial statements.

19. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

20. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
    a) management;
    b) employees who have significant roles in internal control; or
    c) others where the fraud could have a material effect on the financial statements.

21. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

22. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

23. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

24. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

25. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

26. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

27. The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 23 July 2024.

With best regards



David Northey
Service Director of Finance and Section 151 Officer

Name Cllr Sarah Allan

Position Audit & Governance Committee Chairperson

Date

Signature

Name David Northey

Position Service Director for Finance

Date

Signature

Signed on behalf of the Audit and Governance Committee

Appendix I

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit & Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Errors identified as part of our PPE revaluations testing in respect of the floor area discrepancies on three assets. These are Plymouth Guildhall, Plymouth Library, Ballard House and Windsor House. This has caused an overall understatement to the assets.	Revaluation reserve (1,391)	PPE 1,391	(1,391).	1,391	Not material
Errors noted in relation to the REFCUS Key Items samples	Revaluation reserve 1,434	PPE (1,434)	1,434	(1,434)	Not material
Errors noted in relation to the REFCUS Key Items samples where errors identified which relate to prior years were corrected in 2020-21	REFCUS (5,474)	PPE Additions 4,093 Investment Property Additions 1,381	(5,474)	5,474	Not material
Error identified in the income cut off testing from the bank. The total amount not accrued for is £290,800. An extrapolation has been performed which shows that the impact of the error over the entire population is unlikely to be material. Total extrapolation is £884k. The amount is is relation to the new burdens grant amount for the 2020-21 year. Although the amount relates to the 2020-21 financial year, and was received after the year end. The client has confirmed that no accrual was processed for this amount.	Grant Income (884)	Debtors 884	(884)	884	Not material
Error identified with the accounting treatment of the Local restrictions grant (Open) which has been accounted for on an agency basis when it should have been principle in line with the guidance. This means that income has been misstated by the value of the grant. The in-year amount is £417,827 with the unspent amount of £662,109 which should be treated as a grant received in advance.	Expenditure 418 Grant Income (418)	Creditors 662 Grants received in advance (662)	0	0	Not material
Overall impact	**£(6,315)**	**£6,315**	**£(6,315)**	**£6,315**	

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Audit and Governance Committee

Date of meeting:	23 July 2024
Title of Report:	**Statement of Accounts 2023-24 (unaudited)**
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Service Director for Finance)
Author:	Carolyn Haynes
Contact Email:	carolyn.haynes@plymouth.gov.uk
Your Reference:	SoA 23-24/Audit July 2024
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

This is a report summarising the key aspects of the 2023/24 Statement of Accounts. The Statement of Accounts appended to this report are draft at this stage. The public inspection period began on 3rd June and ended on 12th July 2024. The published Draft Statement of Accounts can be found in Appendix A.

These Draft Statements of Accounts complement the financial outturn position and reports the Council's financial position in line with International Financial Reporting Standards, adopted by CIPFA for the purposes of Local Government via the Code of Practice on Local Authority Accounting.

Recommendations and Reasons

1. To **approve** the Statement of Accounts for 2023/24 attached as Appendix B with the understanding that they will be audited by Grant Thornton UK LLP. Should any issues be identified during the GTUK audit Members are asked to delegate the approval of the Statement of Accounts to the Chairperson of the Audit Committee, in consultation with the Service Director for Finance.
    a. Reason: Statutory Requirement, the Accounts and Audit Regulations 2015 require the accounts to be:
        i. Considered by committee;
        ii. Approved by committee resolution;
        iii. Signed and dated by the person presiding at the committee.
2. To note the audit status of the Statement of Accounts for 2019/20, 2020/21 and 2021/22, 2022/23 and 2023-24.
3. To note that the draft Statement of Accounts for 2023/24 were published on the 31 May 2024 prior to the Council reaching agreement with Grant Thornton on the revenue treatment of the Pension Transaction.

Alternative options considered and rejected

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

Relevance to the Corporate Plan and/or the Plymouth Plan

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

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

The 2023/24 Statement of 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.

Financial Risks

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

Carbon Footprint (Environmental) Implications:

N/A

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

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

N/A

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	**Exemption Paragraph Number** (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
		1	**2**	**3**	**4**	**5**	**6**	**7**
A	Draft Statement of Accounts 2023-24							

Background papers:

**Add rows as required to box below*

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

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

Sign off:

Fin	HS.24.25.12	Leg	LS/0000360911/LB/12/07/24	Mon Off	Click here to enter text.	HR	Click here to enter text.	Assets	Click here to enter text.	Strat Proc	Click here to enter text.
Originating Senior Leadership Team member: David Northey											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 11/07/2024											
Cabinet Member approval: *approved by email* Date approved: 11/07/2024											

1. Framework for Local Government Financial Reporting

1.1 Local government accounts are based on an accounting code produced by CIPFA LASAAC. The code is an adaptation of International Financial Reporting Standards (IFRS) for the purposes of UK local government bodies.

1.2. Local government accounts include the following core statements:

- Comprehensive Income and Expenditure Statement (CIES) - recording all revenue income and expenditure for the year
- Balance Sheet – showing the value of assets and liabilities held by the Council
- Cashflow Statement – showing movements in cash and cash equivalents for the Council. Complementing the CIES and Balance Sheet which are completed on an accruals basis.
- Movement in Reserves Statement – this is a local government specific statement. It shows how reserves have changed by removing accounting items in the CIES that are required by statute to not impact the Council's reserves – reconciling to the outturn position.

1.3 Notes to the Accounts provide further detail on individual line items in the core statements.

2. National Context

2.1 There is a significant backlog in the publication of audited accounts in local government. As at March 2024, there were 646 outstanding audit opinions for local authorities. In addition, only 41% of local authorities published draft accounts for 2023/24 by the statutory deadline of 31st May.

2.2 The backlog has attracted significant national attention. Both the government and parliamentarians have been keen to understand the issues and find a resolution for it. The Public Accounts Committee held an inquiry into the timeliness of local audit, with a report published in March 2023. The Levelling Up and Housing Committee (LUHC) held an inquiry into Financial Reporting and Audit in Local Authorities and published a report in February 2024.

2.3 Having worked with System Partners (which includes CIPFA, the Financial Reporting Council, National Audit Office, councils and auditors) the Government launched a consultation in February 2024 to clear the backlog by setting a series of statutory backstop dates up to 2027/28.

3. Purposes of Local Government Accounts

3.1 The LUHC inquiry report set out that there was a lack of clarity about the purposes of Local Authority accounts and audit. As outlined in their report they identify the purposes as:

- A credible public record
- Accountability for spending
- Value for Money
- Information to run local authorities

- Public reporting of actual and potential issues

3.2 Furthermore, they identified purposes of local authority audit as being:

- To establish the credibility of local authority accounts, so they can fulfil their purposes in supporting local accountability; and
- To supplement the local authority accounts with relevant information and conclusions that are needed to fulfil the purpose of the audited accounts. but are not part of the disclosures in the accounts.

4. Local Authority Accounting

4.1 The main Code of Practice relevant to the production of the Statement of Accounts, which CIPFA publish on an annual basis, is the 2023/24 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

4.2 The presentation of local authority accounts differs greatly to that of the private sector. Many of these differences occur due to legislative requirements for local government accounts and the recognition of costs for the purposes of budgeting and calculating the Council Tax. These differences mainly relate to the way the Council is required to account (or budget) for capital and pension costs.

4.3 Local authorities account for the revenue impact of capital in line with IFRS on the face of the Comprehensive Income and Expenditure Statement (CIES). This means including figures relating to movements in the value/cost of assets, including depreciation, revaluation, disposal and impairment. These entries are reversed out and replaced with an allowance for the consumption of capital (Minimum Revenue Provision). These "adjustments between accounting basis and funding basis under regulation" are shown in Note 10 to the unaudited accounts.

4.4 In terms of pension costs, local authorities are required to comply with an International Accounting Standard called IAS 19 (Employee Benefits), which means accounting for pension liabilities when local authorities are committed to them, not when they are actually paid out. This includes showing movements in the value of pension scheme assets and liabilities.

4.5 The Council complies with IAS 19 and recognises the Council's share of the net liability of the Devon Local Government Pension Scheme (Devon LGPS) in the balance sheet. Within the CIES the 'Cost of Service' figures have been adjusted so they represent the true costs of pensions earned. As stated above, IAS 19 does not have any effect on the calculation of the Council Tax Requirement as the entries are reversed out and replaced by the cash contributions to the Pension Scheme, in an adjustment between accounting basis and funding basis under regulation.

5. Statement of Accounts 2023/24

5.1 The draft Statement of Accounts for 2023/24 were published on the 31 May 2024. The period of public inspection started on the 3 June 2024.

5.2 The draft Statement of Accounts for 2023/24 were published prior to the Council reaching agreement with Grant Thornton on the revenue treatment of the Pension Transaction. The main impact would have been on the usable reserve balances. If these adjustments were applied

to the Working Fund Balance for 2023/24, this would move from a positive £8.745m to a negative £64.630m. Total usable reserves would reduce from 106.508m to £41.878m.

5.3 The Council achieved a breakeven outturn position. The overall net spend matches the net budget of £218.440m. The budget was approved by Full Council at the meeting dated 27 February 2023. Within this overall balanced position, the following headline financial issues are reported:

- A nil variance on a gross expenditure budget of £560m for business-as-usual activities. This is a significant achievement during a year with continuing cost and demand pressures on services, particularly within Children's Services.
- The 2023/24 budget included ambitious savings targets totalling £23.435m, which were not all achieved in full.
- The drawdown of £1.953m of usable reserves throughout the year and the use of £9.307m of Corporate Resourcing Adjustments.

5.4 The Balance Sheet shows our assets, liabilities and reserves. The reserves are split in to usable and unusable reserves. The unusable reserves are not available to the Council but are part of their technical accounting requirements. These reserves are not available to use for service delivery at the reporting date. These reserves arise from either:

a. Statutory adjustments required to reconcile to the amounts chargeable to council tax in order to comply with legislation, or

b. Accounting gains or losses recognised in other comprehensive income and expenditure in accordance with accounting standards adopted by the Code, rather than in the surplus or deficit on the provision of services.

The Council has a positive Balance Sheet as at 31 March 2024, which means that the Council's assets are £471.814m greater than its liabilities. This is mostly due to the positive movement in the long-term pension liability on the basis of the revised triennial valuation undertaken in October 2022.

5.5 The main movements on the Balance Sheet between 31 March 2023 and 31 March 2024 are summarised below:

5.5.1 <u>Non-current Assets</u>

- Property, Plant and Equipment has increased by £61.145m partly due to the revaluation of a number of assets and also due to the addition of assets through the capital programme. Further detail can be found in note 15 to the Statement of Accounts.
- Heritage Assets have increased by £25.578m due to the addition of heritage assets valued below £100k being added based on their insurance value.
- Investment Property has decreased by £14.711m due to valuation movements. The Council's Capital Programme includes the provision for the purchase of Investment Properties. Further details can be found in note 17 to the Statement of Accounts.

5.5.2 <u>Current Assets</u>

- Short Term Debtors have increased by £40.831m due to an increase in money owed to the Council by government bodies. Further information is available in note 19.1.
- Cash and Cash Equivalents have decreased by £3.184m to £26.998m to reflect a decrease in the short-term cash investments held. Further notes on Financial Instruments can be found in note 18 to the Statement of Accounts.

5.5.3 Current Liabilities

- Short Term Borrowing has increased by £12.325m. Borrowing is used to finance the Capital Programme in accordance with the 2023/24 approved budget and Treasury Management Strategy. Further detail can be found in note 18 to the Statement of Accounts.
- Capital Grants Received in Advance have decreased by £40.305m. Further details are provided in note 29 to the Statement of Accounts.

5.5.4 Long Term Liabilities

- Long Term Borrowing has increased by £86.786m, further details can be found in note 18 to the Statement of Accounts.
- Long Term Liabilities Pensions have increased by £36.907m. This is an accounting adjustment due to the effect of the asset ceiling which has been determined by the Scheme's actuaries (Barnett Waddingham). Details are set out in the Statement of Accounts.
- Other Long-Term Liabilities have reduced by £4.989m which reflects a reduction in the long-term PFI liability. Further information can be found in note 20.3 to the Statement of Accounts.
- Grants Received in Advance – Capital have reduced by £3.712m. This is mainly due to a reduction in the Section 106 grants and the Growth Deal grant. This movement is further explained in note 29.1 of the Statement of Accounts.

5.5.5 Reserves

- Usable reserves are showing a net reduction of £3.682m which reflects their agreed usage in achieving a balanced budget position. The Movement in Earmarked Reserves is further explained in note 12 to the Statement of Accounts.

- Unusable reserves have increased by £44.516m. The unusable reserves are not available for revenue purposes to the Council but are part of their technical accounting requirements. The unusable reserves include, for example, the pension reserve, the capital adjustment account and the revaluation reserve. Further information on the unusable reserves is available in note 22 to the Statement of Accounts.

6. Capitalisation Direction

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

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

6.3 The draft accounts for 2019/20 and 2020/21 have needed to be revised prior to the external audit being completed by Grant Thornton. The original accounting treatment was as a capital transaction; our auditors have advised we needed to reflect the Pension Transaction as a revenue transaction.

6.4 The revenue treatment meant that the Council's income for 2019/20 and 2020/21 was insufficient to meet its expenditure. The Working Fund Balance for 2019/20 has reduced from £8.045m in 2019/20 to a negative £65.330m to reflect the adjustment of £73.375m for the

Pension Transaction. The Working Fund Balance for 2020/21 is now showing a balance of £64.980m which reflects a £0.350 transfer to reserves in 2020/21.

6.5 Due to this change in accounting treatment, it has been necessary for the Council to request a retrospective Capitalisation Direction from Government. This support is provided via the Exceptional Financial Support Framework which has been agreed in principle.

6.6 The Capitalisation Direction will permit the Council to meet the £72m revenue transaction through capital resources.

6.7 The draft accounts for 2021/22, 2022/23 and 2023/24 will also need to be revised to reflect the change in accounting for the Pension Transaction. The revised statements will be presented to the Audit and Governance Committee at the earliest opportunity.

7. Conclusion

The statement of accounts appended to this report are draft at this stage and an audited version of the accounts will be presented to the Committee for final sign off following the finalisation of audit at a later date.

8. Legal Implications

The Local Audit & Accountability Regulations 2015 require that the draft accounts are subject to an inspection period and then required to be audited with the final audited accounts being presented to the Audit and Performance Committee at a later date.

2023/24 DRAFT STATEMENT OF ACCOUNTS

PLYMOUTH
CITY COUNCIL

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

INTRODUCTION

Welcome to the Narrative Statement for the Statement of Accounts for Plymouth City Council 2023/24.

The accounts provide a true and fair view of the financial performance of the Council in the delivery of services to the residents of Plymouth. They summarise the overall financial position of the Council for the year ended 31 March 2024. The accounts and accompanying documents are subject to an external independent audit by Grant Thornton LLP and will remain as draft accounts until they have been agreed and signed off by them.



In previous years, this would have seen the final, audited accounts being presented to the Audit and Governance Committee at the end of September 2024. However, there are national issues with audit work programmes and we are still awaiting confirmation of the revised timetable. For context, the backlog in the publication of audited accounts of local bodies in England peaked on 30 September 2023 at 918. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771.

The preparation of the Statement of Accounts provides the opportunity to look back at the past financial year and to report on the current financial and non-financial position of the Council.

We are a large and diverse organisation, and the accounts are therefore complex, and where necessary, we have made estimates and judgements in preparing these accounts, complying with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

The 2023/24 financial year again saw some significant financial pressures on the Council, which the Council has responded to by protecting its existing General Fund (Working Balance) reserve, by releasing available reserves whilst undertaking in year cost control and income maximisation measures.

Plymouth City Council, along with most local authorities across the country, continues to face significant challenges in providing essential services to meet the needs of residents within the level of resources it has at its disposal. This has been added to by the continuing challenging operating environment and increasing and more complex local service demand.

As reported throughout 2023/24 the Council faced the perfect storm of continuing major increases in service demand post the pandemic combined with unavoidable and rapid increases in operating costs across almost every aspect of the authority. This had a huge impact on the Council's approved financial plans for 2023/24 and the general economic climate created serious cost of living challenges for some of our residents.

The most challenging area of concern and level of overspending in 2023/24 has been the cost of externally purchased Children in Care placements. This has been a pressure faced by the Council for several years, but it got significantly worse in 2023/24 and will continue into 2024/25. It is a challenge that is replicated across most upper tier local authorities throughout the country. Residential Care placements are in short supply, and this has pushed up prices significantly for all local authorities. This is of most concern where a child has complex needs and or challenging behaviour. Home to School transport has been under significant pressure due to high inflation, increased number of high cost routes and high needs children being placed outside the city. Adult Social Care has seen continued pressure for emergency accommodation within Community Connections to meet the homelessness demand and the budget for Care Packages has also been under pressure.

Revenue Outturn

The Council has balanced its budget reporting a breakeven position. The overall net spend matches the net budget of £218.440m.

Within this overall balanced position the following headline financial issues are reported:

- A nil variance on a gross expenditure budget of £560m. This is a significant achievement during a year with continuing cost and demand pressures on services, particularly within Children's Services.
- The 2023/24 budget included ambitious savings targets totalling £23.435m, which were not all achieved in full.
- The drawdown of £1.953m of usable reserves throughout the year and the use of £9.307m of Corporate resourcing adjustments.
- Drawdown from the Working Balance of £8.7m has ***not*** been required.

Capital Expenditure

As well as delivering vital day to day services for residents, businesses and visitors, the Council continues to be at the heart of investment in the local area, improving assets to deliver services more efficiently and effectively and creating the right conditions to attract additional private sector investment. Capital spending can generally be defined as that which generates assets that have a life of more than one year. This includes the acquisition or construction of new assets and expenditure that improves, and not merely maintains, the value of existing assets. In 2023/24 the Council invested £91.361m into capital schemes to continue to improve Plymouth as a place to live and a destination to visit.

Capitalisation Direction

The Council is working with DLUHC (Department for Levelling-Up, Homes and Communities) plus the external auditors – Grant Thornton, to resolve an outstanding technical issue relating to the Statement of Accounts for 2019/20.

The Pension Deficit Accounting Transaction took place in the financial year 2019/20. PCC's external auditors Grant Thornton (GT) will not sign off 2019/20 Accounts as they currently stand.

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

Once this issue has been resolved to the satisfaction of the Council and Grant Thornton, the Council will have to adjust the Statement of Accounts for 2019/20, 2020/21, 2021-22, 2022-23 and these accounts. The revised statements will be presented to the Audit and Governance Committee at the earliest opportunity, and before the currently proposed September 2024 backstop date for audit opinions pre-dating the 2023/24 accounts.

And finally…

Continued vigorous cost management and focused delivery of planned revenue savings will again be key in the new financial year 2024/25. Each Directorate must ensure that it at least manages within its allocated budget and delivers the agreed savings. All effort must be made to finish below budget, through further cost savings and increased income generation.

The Council will submit the draft Statement of Accounts 2023/24 to the Audit and Governance Committee 23 July 2024.

In this document, the Council demonstrates that it has a secure and sustainable financial standing. The Council has fulfilled its stewardship function for all the public money entrusted to it in a cost effective and appropriate manner.



David Northey FCCA
Service Director for Finance and Section 151 Officer
May 2024

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

THE PLYMOUTH PLAN 2014 - 2034

WHAT WE WANT TO ACHIEVE...

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

HEALTHY CITY
People live in happy, healthy, safe and aspiring communities

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

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

HOW WILL WE KNOW WE'RE SUCCESSFUL?

Plymouth is recognised as a **key regional economic** driver	People get the **best start to life,** enjoy a better quality of life and increased life expectancy	Plymouth's population has grown to more than **300,000**	Plymouth offers a diverse **cultural experience** with a major events programme
Plymouth has **high quality strategic** services and facilities	More people are taking care of themselves or **finding care** within their community	Plymouth continues to be recognised as a **leading Green City**	Plymouth is internationally renowned as a leading UK **tourist destination**
The quality and resilience of Plymouth's **transport and digital connectivity** has improved	More residents are contributing to and **involved in their community**	Plymouth has more vibrant, productive and **innovative businesses**	Plymouth is recognised internationally for **marine science** and high technology manufacturing
Plymouth's strategic **defence role** has been safeguarded and strengthened	There is **good quality health** and social care for people who need it	People have the skills to be **school ready and work ready** to meet the needs of the city	Plymouth has a reputation for **world class universities** and research institutions
Plymouth's stunning setting and **natural assets** have been enhanced	Plymouth has good quality neighbourhoods where people feel **safe and happy**	Plymouth has the right environment for **growth and investment**	Plymouth has a reputation as a **welcoming and multicultural city** with diverse communities

WHAT PRINCIPLES WILL GUIDE US?




THE PLYMOUTH PLAN 2014 - 2034
TO TAVISTOCK
A386
DERRIFORD AND NORTHERN CORRIDOR GROWTH AREA
DARTMOOR
TAMAR BRIDGE
SALTASH
A38
CITY CENTRE AND WATER FRONT GROWTH AREA
A374
TORPOINT
RAILWAY STATION AREA OF SEARCH
EASTERN CORRIDOR GROWTH AREA
A379
BRIXTON
KEY
Hospital
Sports hub
Improving health inequalities
Port
Transport capacity
Sustainable transport
Train Station
Coach Station
Park and Ride
Transport quality gateway
Transport connectivity
University
Primary school
Countryside/Community Park
European Marine Site
District heating
Housing
Ocean City
City Centre
District Centre
Strengthening communities
Visitor economy
Minerals
Distribution
Business/energy park
Marine industries
Dockyard
Offices
Knowledge industries
Medical sector
Utilities infrastructure
Heritage assets
Cultural hub
Events
Waste recycling
Local Centre
Community safety
Urban fringe
live within 400m of a bus stop
JOBS
20,400 new jobs (Plymouth and SW Devon)
population of 300,000
1,001 days best support at the start of child's life
0.15 hectare per 1,000 people of allotments/ community food growing space
400m walking distance to nearest local play space
800m to nearest primary school
243,000 sqm of employment space
1 hectare (nearly 2 football pitches) of nature reserve per 1,000 people
less than 2% of our waste going to landfill
0.79 hectare per 1,000 people of playing pitch
4,550 new affordable homes
reduce carbon emissions by 50%
19,000 new homes
800m to nearest convenience store
25Mbps to all premises access of broadband
400m to nearest accessible natural space
www.theplymouthplan.co.uk
in association with the Plymouth & South West Devon Joint Local Plan
www.plymswdevonplan.co.uk

OUR PLAN
BUILD A BETTER PLYMOUTH

PLYMOUTH CITY COUNCIL

CITY VISION: Britain's Ocean City

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

Plymouth
Britain's Ocean City

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

WE BELIEVE IN:

DEMOCRACY
Because we listen and hear what people want

RESPONSIBILITY
Because we care about the impact of our decisions and actions

FAIRNESS
Because we want to address inequality and inequity in our city

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

WE WILL:

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

OUR PRIORITIES:

- Working with the Police to tackle crime and anti-social behaviour
- Fewer potholes, cleaner, greener streets and transport
- Build more homes - for social rent and affordable ownership
- Green investment, jobs, skills and better education
- Working with the NHS to provide better access to health, care and dentistry
- Keeping children, adults and communities safe

DOING THIS BY:

- Providing quality public services
- Trusting and engaging our communities
- Focusing on prevention and early intervention
- Spending money wisely
- Empowering and engaging our staff
- Being a strong voice for Plymouth

www.plymouth.gov.uk/ourplan

AIMS, OBJECTIVES AND ACHIEVEMENTS

The Statement of Accounts should be read in conjunction with the Council's Corporate Plan. The Council adopted a revised Corporate Plan in June 2023. The plan reflects the administration's ambition for the city and the Council, takes account of the progress that the Council has made in recent years and address the new challenges that we face. The Council retained and re-endorsed the City Vision: to be one of Europe's most vibrant waterfront cities where an outstanding quality of life is enjoyed by everyone, and revised the Council's mission to better reflect how the Council contributes to the City Vision, with emphasis on fairness, environmental sustainability and co-operation. The Council's adopted values were also revised to fully reflect our expectations of ourselves and each other, and provide a basis on which the Council can be held to account by its citizens.

There are six priority areas for delivery through the Corporate Plan, and the plan highlights the importance of retaining a focus in all of the Council's activities on Plymouth being a great place to grow up and grow old, and on minimising the impact of the cost of living crisis. The Council's Corporate Plan priorities are:

- Working with the Police to tackle crime and anti-social behaviour
- Fewer potholes, cleaner, greener streets, and transport
- Build more homes – for social rent and affordable ownership
- Green investment, jobs, skills, and better education
- Working with the NHS to provide better access to health, care and dentistry
- Keeping children, adults, and communities safe

The Council's business planning and performance management frameworks are the mechanism that drives delivery of the above priorities, and resource allocation is geared to ensure that delivery plans against the priorities are sustainable, alongside the Council's wider range of statutory and discretionary services.

PLYMOUTH CITY COUNCIL DEMOCRACY AND GOVERNANCE

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

The Council is made up of 57 Councillors for 20 wards. The political make-up of the Council during 2023/24 was:

- Labour Party – 32 Councillors
- Conservative Party – 18 Councillors
- Green Party – 2 Councillors
- Independent Alliance – 3 Councillors
- Independent – 2 Councillors

Following the election in May 2023, the Council is controlled by the Labour Party. The Council has adopted the 'Strong' Leader and Cabinet model as its political management structure. The Leader of the Council (Cllr Tudor Evans OBE) has responsibility for the appointment of Members of the Cabinet (also known as the Executive), the allocation of Portfolios and the delegation of executive functions. The Cabinet is the main decision-making body of the Council. It is responsible for policies, plans and strategies, which must be implemented within the budgetary and policy framework adopted by Full Council. The Council elects the Leader each year at the Annual General Meeting (usually held in May).

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

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

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

Plymouth – Britain's Ocean City

Plymouth City Council is a unitary local authority responsible for over 300 local services including transport, social care and education. With a resident population of 264,700 (2021) and a further 100,000 residents in the travel to work area, Plymouth is the largest city on the South coast and the 15th biggest city in the country. Plymouth is also the most significant urban area on the south west peninsula with an economic output of £5.44 billion (2021), supporting 115,000 jobs and is the key urban hub of the Heart of the South West Enterprise Partnership making it a key location for growth. The city has the highest concentration of manufacturing and engineering employment in the whole of the South of England. 20% of the UK's blue–tech marine companies are based here and 14.6% of Plymouth's jobs are in the manufacturing industry, far exceeding the national average of 8.8% (2019).

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

Regional Influence

The functions of the Heart of the South West Partnership Local Enterprise Partnership (HotSW LEP) are in the process of transferring to the principal local authorities in Devon and Somerset as part of new Government policy and this will be effective from the 1 April 2024. This means that Plymouth City Council, Devon County Council, Somerset Council and Torbay Council will now individually be responsible for economic strategy, Government programmes such as the Growth Hub and Careers Hub and ensuring local business has a voice in decisions affecting the future of the economy through Economic Growth Boards in their areas. The four councils will continue to work together to ensure sensible collaboration on sector support and strategic partnerships.

Future Vision

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

The Plymouth Plan includes plans to increase its resident population to 300,000, build an additional 19,000 homes (of which 4,550 are affordable), reduce carbon emissions by 50%, improved broadband

for all premises and to create 20,400 jobs. The Council worked closely with local strategic partners West Devon and South Hams Councils to create 'The Plymouth and South West Devon Joint Local Plan' to support local thriving towns and villages. The three councils joined up to create this plan (now adopted) which looks at every aspect of how we want our cities, towns and villages to look and feel over the next 20 years. The existing policies in the Plymouth Plan will now be combined with the Plymouth-specific policies in the new Joint Local Plan to create one document.

National Marine Park (NMP)

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

The 'Park in the Sea' aims to:

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

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

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

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

An £11.6m National Lottery Heritage Fund grant was awarded in February 2024 to help with the delivery of the UK's first National Marine Park.

Plymouth and South Devon Freeport

The Plymouth and South Devon Freeport was designated by statutory instrument in October 2022 and the government announced full business case approval in December 2022. The Freeport is a dynamic public/private partnership with Plymouth City Council, South Hams District Council and Devon County Council working alongside Princess Yachts, Carlton Power, the Sherford Consortium and a wide range of stakeholders including the Universities of Plymouth and Exeter, Plymouth port operators, skills providers and the Heart of the South West LEP to ensure its success.

The Freeport represents a unique opportunity to level up, address historical challenges and leverage exciting new opportunities to transform the economy of Plymouth and South Devon through:

- Physical regeneration – by delivering infrastructure to unlock key employment sites and innovation assets, supporting business clustering and clean growth opportunities.
- Economic regeneration – by delivering inward investment, supply chain opportunities and productivity gains within our identified growth sectors.
- Social regeneration – by delivering a pipeline of jobs across the spectrum of employment from entry level to higher skilled/high value with upskilling opportunities.

The Freeport intends to:

- Create a national hub for trading and investment
- Promote regeneration and job creation.
- Create a hotbed for innovation.

The Freeport will continue to build on the extensive partnership work initiated during the last two years and support interested businesses with contracting, designing and planning their place within the Freeport.

During 2023-24 the Freeport formally accepted £19.946m of funding from DLUHC. The grant will unlock essential capital works to key assets, which will benefit the city's residents as well as establish Plymouth as a Net Zero port city with a superb waterfront.

Devon Business Rates Pool

The Devon Business Rates Pool (DBRP) has been operating since April 2013 and each year the pool has delivered a pool gain to its members. The table shown below demonstrates the benefit to pool members for each financial year from 2013 to the end of March 2024. As can be seen from the table below, Plymouth has benefitted from an additional £15.325m since 1 April 2013 and the Devon economy has benefitted overall by £75.025m since the pool's inception in 2013.

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

Devon Business Rate Pooling Gains 2013 to 2024							
Business Rate Retention Scheme	**2013-19**	**2019/20 50%**	**2020/21 50%**	**2021/22 50%**	**2022/23 50%**	**2023/24 50%**	**Total**
	£	£	£	£	£	£	£
Devon	19,320,671	2,228,157	2,145,986	2,511,070	2,290,137	2,650,472	31,146,493
East Devon	2,249,581	315,779	303,873	355,874	324,563	390,976	3,940,646
Exeter	2,246,580	682,088	656,335	768,694	701,061	773,790	5,828,548
Mid Devon	500,959	166,760	160,490	187,934	171,399	207,161	1,394,703
North Devon	1,253,133	319,050	307,028	359,561	327,925	370,861	2,937,558
South Hams	611,590	308,947	297,284	348,174	317,541	368,516	2,252,052
Teignbridge	1,067,015	316,768	304,841	356,989	325,580	387,651	2,758,844
Torridge	630,817	139,918	134,669	157,684	143,811	175,409	1,382,308
West Devon	499,813	128,901	124,053	145,268	132,487	156,429	1,186,951
Plymouth	5,218,386	1,904,143	1,837,986	2,145,916	1,957,110	2,261,935	15,325,476
Torbay	1,976,232	922,674	888,429	1,039,828	948,340	1,096,376	6,871,879
Total	**35,574,777**	**7,433,185**	**7,160,974**	**8,376,992**	**7,639,954**	**8,839,576**	**75,025,458**

The Council's Approach to Climate Change

In early 2019, Councillors voted unanimously to declare a Climate Emergency, making a pledge to make Plymouth carbon neutral by 2030. The pledge exceeds the climate objectives of the UK and Plymouth have developed a Net Zero Action Plan (NZAP) to work towards the reduction in carbon emissions to ensure the Council is a net zero organisation by 2030.

The NZAP covers two main areas:

- Action commitments to reduce emissions from the facilities we own and the services we deliver.
- Action commitments about how the Council uses its powers to help the city as a whole move towards net zero.

The NZAP has been guided by the Carbon Management Hierarchy (CMH). This aims to give focus first to actions that avoid emissions in the first place, followed by those that reduce emissions.

The key priorities for net zero are:

- Cut our emissions from travel
- Cut our emissions from construction and buildings
- Deliver a step-change in low carbon energy generation
- Consume responsibly and reduce our waste
- Engage the whole city in the net zero mission
- As a last resort, offset the emissions we can't stop

The Way We Work

The Workforce Modernisation Programme's vision is:

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

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

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

- Reducing expenditure;
- Increasing employee performance and improved staff health and well-being;
- Increasing organisational compliance;
- Improving customer satisfaction.

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

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

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

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

Our priorities include:

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

The Council's Performance

The Plymouth City Corporate Plan 2023-28 sets out the Councils vision of Plymouth being 'One of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone'. This was approved by Full Council in June 2023. The Corporate Plan priorities are delivered through specific programmes and projects which are coordinated and resourced through cross-cutting strategic plans, capital investments and directorate business plans. The key performance indicators (KPIs) and their associated targets are monitored quarterly to inform us on how we are doing in delivering what we have set out to achieve in the Corporate Plan. We have continued to transform how we deliver services to ensure they are more efficient and better focused on customer needs. This includes working in new ways, joining services up with our partners and maximising the opportunities from digital technology.

FINANCIAL PERFORMANCE

Strategy and Resource Allocation – The Council's Budget and Medium-Term Financial Plan 2023/24 to 2027/28

The Council's gross revenue budget for 2023/24 was £560.189m, which after adjusting for income equates to a net budget requirement of £218.440m. This was approved by Full Council on the 27 February 2023. The budget was developed following input and reviews with Directors and other officers and Members, including Cabinet. The budget was formulated having regard to a number of factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures. The savings plans included in the budget take into account Council priorities and are assessed against an agreed set of impact criteria and equality assessments. Budget monitoring and scrutiny arrangements were in place throughout the year, which included arrangements for the identification of early remedial action supported by a clear action plan, reporting and regular monitoring.

A summary of the overall budget position is shown below, which includes the Medium-Term Financial Plan for the next five years (2023/24 to 2027/28). The Medium-Term Financial Plan is integral to the Budget Preparation process and is regularly reported to Members as part of the budget updates through the year:

Medium Term Financial Strategy	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Forecast	2027/28 Forecast
	£m	£m	£m	£m	£m
Core Resources					
Revenue Service Grant	(11.562)	(12.188)	(12.257)	(12.259)	(12.340)
Council Tax	(130.625)	(138.979)	(144.138)	(149.480)	(154.525)
Business Rates	(75.253)	(77.728)	(77.406)	(77.409)	(77.516)
Reserves	(1.000)	0	0	0	0
Core Resources Total	**(218.440)**	**(228.895)**	**(233.801)**	**(239.148)**	**(244.381)**
Net Expenditure					
Expenditure Brought Forward	218.440	218.440	240.109	248.119	258.130
Add Right-Sizing Costs / Adjustments	0.000	10.835	6.467	6.230	6.724
Add Demand-Led Pressures	0.000	10.834	1.543	3.781	4.035
Net Expenditure Total	**218.440**	**240.109**	**248.119**	**258.130**	**268.889**
Forecast Shortfall	**0.000**	**11.214**	**14.318**	**18.982**	**24.508**

Key Financial Planning Considerations:

- Continuing one-year Revenue Support Grant settlement, with annual inflation uplift.
- The cap on council tax increases, reflecting central Government's direction of the confirmed 2.99% for 2024/25, will revert to 1.99%.
- The forecast, reflecting central Government's direction, assumes there will be a further 2% Adult Social Care precept in 2024/25 with 1% modelled for future years. The final decision on core Council Tax and ASC Precept changes will require Full Council approval as part of the annual budgets.
- Uncertainty to future funding due to the delay in 100% Business Rates Retention. Assumption is the current system remains, with assumed annual inflation uplift.
- Reductions in other Government grant funding without matching reductions and responsibility for related services provision.

- Uncertainty about any future Fair Funding Review.
- A continuing range of increasing costs in order to meet the demands on the Council and maintain key services, particularly in Adult Social Care, Children's Social Care and Homelessness.
- Increased costs of meeting new initiatives.
- General inflation relating to external spend and contracts have not been accounted for on the understanding that smarter procurement practices will continue to contain significantly increased spending.

2023/24 Revenue Outturn

The Council has balanced its budget, reporting a breakeven position for 2023/24. The overall net spend matches the net budget of £218.440m. Within this overall balanced position the Council has overcome £20m of additional in-year costs and pressures. The setting aside of resources, as approved by Full Council on the 27 February 2023, has assisted in balancing the 2023/24 Revenue Budget.

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

Directorates, with the exception of Executive Office, Customer and Corporate Services and People, came in on or under budget for their business-as-usual activity.

The net revenue budget of £218.440m was allocated to council services as follows:

Directorate	2023/24 Net Budget Expenditure	Provisional Outturn	Year-End Over/ (Under) Spend	Status
	£m	£m	£m	
Executive Office	6.403	6.739	0.336	Over
Customer and Corporate Services	51.070	53.682	2.612	Over
People Directorate	159.839	174.640	14.801	Over
Office for the Director of Public Health	2.829	2.802	(0.027)	Under
Place Directorate	29.617	28.875	(0.742)	Under
Corporate Items	(31.318)	(48.298)	(16.980)	Under
Total	**218.440**	**218.440**	**0.000**	**Even**

The People Directorate

Children's Services reported an adverse outturn position of £11.629m against the £63.493m budget. Within the Directorate, Children, Young People and Families (CYPF) recorded a £8.893m overspend, and the Education, Participation and Skills (EPS) department had an overspend of £2.737m. Within CYPF, pressures were experienced due to continued high numbers of packages in Residential, Supported Living & Bespoke settings, with an increased number of placements costing between £12k – £25k per week plus Supported Living placements in situ averaging 15 more than the previous financial year. Children in Care and associated costs accounted for all the pressure reported. Due to increased volumes of placements the Service were unable to achieve savings targets that were associated with reductions in numbers of Looked After Children. Within EPS, SEND Home to School transport saw additional costs of £1.827m, reflecting inflationary pressures on transport costs and an increasing number of high cost routes, as high needs students are placed outside of the city.

Adult Social Care reported an overall overspend of £3.172m, of which £2.298m is within Community Connections and relates to continued pressures for emergency nightly paid accommodation to meet the increasing homelessness demand. Within Adult Social Care, the budget for Care Packages had a

pressure of £6.430m, this was offset by additional short term grant funding received, vacancy savings and released funding from reserves and provisions. The final outturn figure was £0.874m.

As homelessness has increased, the use of temporary accommodation has increased also. At the same time the move-on options to affordable housing have reduced as the private rented sector has become unaffordable and social housing availability has reduced and fails to meet demand. This has resulted in existing temporary accommodation becoming silted up and more utilisation of bed and breakfast and expensive nightly paid alternatives (holiday lets).

Office of the Director of Public Health (ODPH) reported an underspend of £0.027m. Their budget is ringfenced and not included in the outturn position for the Council.

Place Directorate achieved an underspend of £0.742m. Management actions to compensate for budget pressures have included non-essential spend limitation and savings through the re-negotiation of commercial contracts.

Executive Office ended the year with an overspend of £0.336m due to additional election costs and unachieved efficiencies.

The Customer and Corporate Services Directorate reported an overall overspend of £2.611m. This reflects a mix of variations across the departments, including Facilities Management (FM) with an overall pressure of £1.542m. This includes pressures of £1.264m on Repairs and Maintenance budgets, and £0.695m additional costs associated with holding Windsor House and Midland House for an extended period ahead of their planned disposal.

Corporate Items came in £16.979m under budget, despite covering additional costs for the following.

- An additional pressure of £1.190m due to the pay award announced in November 2023, which was an average increase of over 5% compared to the budgeted 4% estimate.
- There were also additional costs of £0.105m relating to Operation Foster (Keyham Bomb Incident) which were required to be met Corporately. These fell short of the Bellwin scheme threshold for Government financial support, which in 2023/24 for Plymouth was £0.437m
- The Council also incurred a HSE Fine of £0.200m, for failures associated with exposure to hard arm vibration whilst carrying out grass cutting and arboriculture work.

The favourable position was achieved through £8.116m savings made within Corporate and contingency budgets. Additionally, £7.159m additional resource adjustments from Non-Domestic Rates and the Devon Business Rates pooling gain, and £2.148m from Council Tax. £0.890m was released to corporate budgets and £1.063m to Directorate budgets from usable reserves not required (total £1.953m).

Working Balance

The Working Balance as at 31 March 2024 is £8.743m. The Working Balance has a recommended minimum set at 5% of the net revenue budget or £10.922m. This minimum requirement has been approved by Council. The Working Balance of £8.743m represents 4.00% of the net revenue budget which is 1% below the recommended minimum level. This is £2.179m below the recommended minimum level.

Other Financial Performance

In addition to the financial outturn reports within this report there were a range of other significant performance achievements which have contributed to the year-end position. In year collection targets are set for our Council Tax, Business Rates, Commercial Rents, and Sundry Debt Income including our Trade Waste Income. The 2023/24 revenue budget was based on the achievement of the required targets.

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

Some key indicators are:

- 96.50% of Council Tax collected in year for 2023/24 towards the total collection target of 96.50% (96.66% in 2022/23). This equates to £153.018m (£145.755m in 2022/23). This was slightly below the percentage collected in 2022-23.
- 98.80% of NDR collected in year for 2023/24 towards the total collection target of 99.00% (99.01% in 2022/23). This equates to £82.367m (£84.964m in 2022/23).
- Average borrowing rate of 3.23% was achieved below target of 4.% in 2023/24 (2.73% in 2022/23). An additional net £97m borrowing was taken between December 2023 and March 2024 to support cashflow needs through Public Loans Work Board (PWLB) at an average rate of 5.26%, this exceeded the 4% new borrowing target and was taken mainly for periods ranging from 12 to 18 months with the expectation that rates will come down by the time debt matures as indicated by Arlingclose, the Councils Treasury Management advisors.
- Average investment return of 5.33% was achieved against target of 2.0% in 2023/24 (3.93% in 2022/23).

Capital

During the year 2023/24 the Council spent £91.361m on capital projects within the city. This is shown by Directorate in the following table. This is within the approved five-year (2023-28) Capital Budget of £363.957m reported to Full Council on 27 February 2023.

Directorate	Approved Capital Budget 2023/24	Latest Forecast December 2023	Approvals Post December	Re-Profiling	Variation & Virements	2023/24 Capital Spend
	£m	£m	£m	£m	£m	£m
Place Directorate	173.823	87.578	1.385	(24.091)	(0.426)	64.446
People Directorate	8.390	12.304	0.988	(1.028)	(1.124)	11.140
Customer and Corporate Services	7.672	4.718	1.028	(0.568)	(0.064)	5.114
Office for the Director of Public Health	10.682	11.580	0.033	(1.009)	0.057	10.661
Total Capital Programme	**200.567**	**116.180**	**3.434**	**(26.696)**	**(1.557)**	**91.361**

Throughout the year, the capital programme has continued to experience the ongoing challenges through high inflation and increased borrowing costs. This has resulted with targeted review and the reprofiling of projects being financed by corporate and service borrowing. Forecasts were updated following a further successful change request submitted to Department of Transport for Transforming Cities Funding Tranche 2 being granted allowing an extension of spending plans into 2024/25.

Capital Funding 2023-28

The latest capital programme is summarised as follows, this does not reflect the impact of the re-profiling of the budget for 2023/24 which is shown above:

Directorate	2023/24 Actual	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	Total
	£m	£m	£m	£m	£m	£m
Place Directorate	64.444	155.370	84.459	42.075	11.629	357.977
People Directorate	11.140	27.078	9.960	0.220	0.000	48.398
Customer and Corporate Services	5.116	5.287	1.545	0.710	0.280	12.938
Office for the Director or Public Health	10.661	6.167	0.105	0.000	0.000	16.933
Total	**91.361**	**193.902**	**96.069**	**43.005**	**11.909**	**436.246**

Capital Financing 2023/24

The following table shows the final financing of the 2023/24 capital programme:

Method of Financing	Total	Funding
	£m	%
Capital receipts	3.924	4
Grants (Government, HLF, LEP, Environment Agency)	41.268	45
Contributions, S106 & CIL (neighbourhood elements)	0.855	1
Borrowing:		
Corporately funded	25.158	28
Service burrowing (revenue budget funded)	20.156	22
Capital Programme Financings 2022/23	**91.361**	**100**

Cash Flow Management

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

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

Cash and short-term investment holdings at 31 March 2024 were £26.998m and are held to meet the Council's capital financing and cash flow requirements while obtaining a return on these investments. The Council also uses short-term borrowing from other local authorities to meet some of the funding of the Council's ambitious capital programme. As at 31 March 2024 the Council held £93.052m short-term borrowing and £571.009m long term borrowing which is within the Council's approved limits.

Balance Sheet Position

The Council's Balance Sheet position is as follows:

Position	Balance as at 31 March 2023	Balance as at 31 March 2024
	£000	£000
Non-current assets - principally land, buildings and equipment used to deliver council services	1,360,982	1,434,785
Net current assets - current assets less current liabilities	(257,778)	(176,853)
Long-term liabilities and provisions (including pensions) see points 1 and 2	(672,223)	(786,118)
Net Assets	**430,981**	**471,814**
Represented by:		
Usable reserves (see point 3)	110,190	106,508
Unusable reserves	320,790	365,306
Total Reserves	**430,980**	**471,814**

1. The Council's largest balance sheet liability is the £571.009m of long-term borrowing which supports the capital programme. Until last year the Pension liability was the largest balance sheet item, but due to improvements in the triennial valuation the liability has now increased to £64.372m (£27.465m in 2022/23).
2. The Council has a number of liabilities at the year-end for which it has made provision. The most significant of which are:
   - The provision for Chelson Meadow which is a closed landfill site. The provision of £6.523m has been calculated on the future maintenance costs over the next 45 years and is reviewed each year;
   - In addition, the Council has set aside a provision for business rate appeals of £4.747m due to the COVID-19 pandemic and the uncertainty over business rates (£6.013m at 31 March 2023).
3. Usable reserves are currently split between those earmarked for capital investment and those allocated to revenue support and service development. Usable reserves also include £3.154m held on behalf of schools and £8.743m general fund working balances to cover short term cash flow movements, budget overspends and other unforeseen contingencies. The working balance represents 4% of the net cost of services.
4. The Council holds a number of unusable reserves, the majority of which are required to be held for statutory reasons and some which are needed to comply with proper accounting practice. A further breakdown of unusable reserves can be found in the Notes to the Financial Statements section of the Statement of Accounts.

FINANCIAL MANAGEMENT AND IDENTIFYING RISKS

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

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

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

These documents are continually updated and reviewed on a quarterly basis. The MTFP is wide ranging and includes estimates of future income and expenditure. It allows the Finance team to balance the financial implications of the Council's Corporate Plan, service objectives and policies with the constraints in resources. This year's budget (2023/24) and the modelling for future years budgets were prepared prior to the Ukrainian war taking place and they will be revisited in 2024/25 to determine what action needs to be taken to balance the budget.

The Department for Levelling Up, Homes and Communities (DLUHC) and CIPFA have published revised guidance and an updated Prudential Code to cover local authorities who invest in properties to obtain an income. The Council's Property Regeneration Fund has been set up to invest in property in areas requiring regeneration.

Risk Management

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

Risk	Link to Corporate Plan	Impact	Mitigation
Financial			
The Council's expenditure exceeds the resources available to meet that expenditure within the medium term financial plan period (2022/23-2025/26).	Spending Money Wisely	Risk to services not delivering within reduced budgets and to delivery of the Plymouth Plan from reduced revenue and funding of the Capital Programme	System of monthly financial reporting to DMT's, CMT, and Cabinet and Quarterly to Full Council, with monthly consideration of directorate level financial issues at each Scrutiny Committee. In addition the Council has introduced a system of detailed monitoring of they delivery of savings targets so that a view is published monthly in Cabinet reports. The Council also holds an annual review of fees and charges and has annual and ongoing programmes of work to identify and understand potential savings opportunities. The governance system of the Council - as unpacked in the Annual Governance Statement comprise a rigorous system of financial control.
Lack of adult social care workforce and growing fragility of Adult Social Care Market leading to inability of Authority to meet statutory duties and meet eligible need.	Working with the NHS to provide better access to health, care and dentistry. Keeping children, adults and communities safe.	Council failure to meet statutory duty to the adult population of Plymouth	Health & ASC Winter Plan which will bring in additional elements of contingency planning, uplift in fee rate to help support the market. Risk to be monitored through contract monitoring and market intelligence.

Risk	Link to Corporate Plan	Impact	Mitigation
Operational/Service Delivery			
A Cyber-attack renders all of the Council's IT inaccessible for an extended period of time therefore impacting on the Councils ability to deliver services.	Focusing on prevention and early intervention	Impact on Council's ability to provide services and to operate	Cyber Security Briefings now part of CMT quarterly reports. DELT Cyber Security plan now developed for CMT sign off. The council has undertaken significant action to mitigate against cyberattacks, however the threat remains constant as such the probablity of attack remains high.
IT supply chain constraints results in increased costs and extended lead times for equipment.	Spending Money Wisely	High risk of further waves of infection, timing uncertain	PCC to pre plan as far ahead as possible on any purchases of technical goods or services, notifying Delt during the planning phase of such work. Delt have been provided with Capital Plan for 2022/23
There is a significant demand for homelessness services, leading to pressure on service delivery and statutory targets with additional significant budget implications.	Keeping children, adults and communities safe	Council failure to meet statutory duty to the adult population of Plymouth	Homelessness Recovery Plan has been developed. Housing Task Force providing strategic leadership and is driving the recovery plan this includes representation from across the council to ensure that the organisation has the appropriate focus on this priority area - this is led by the Relevant Cabinet Member and the Chief Executive. The Homelessness Recovery Board is managing / delivering operational elements of the recovery plan, and reports onto the Taskforce.

LOOKING FORWARD

The Budget report presented to Full Council on 8 March 2024 set out the national context for large reductions in local government funding and the Local Government Finance Settlement. The 2024/25 Budget Report contains a commitment that the 24/25 budget will feed into the revised 5-year Medium Term Financial Plan (MTFP) that will be presented to Full Council in September 2024, reflecting the Council's financial response to ongoing inflation and demand pressures.

The impact of pressures within Social Care in both adults' and childrens' services continues to have a significant impact upon the Council's resources. We are also seeing an increase in the demand or cost pressures in both homelessness and bed and breakfast accommodation or in delivering our statutory responsibility to provide home to school transport for our most vulnerable children. Nationally and locally the costs of providing health and wellbeing services are rising as demand increases. Plymouth has an ageing population with more complex needs and higher levels of young children requiring our services.

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

STATEMENT OF ACCOUNTS 2023/24

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2024. The format and content of the statements is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA), Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. This is based on International Financial Reporting Standards (IFRS) adapted for use in a public sector context. Accounting policies are applied in accordance with these standards. The Statement of Accounts comprises:

Statement of Responsibilities for the Statement of Accounts	This sets out the respective responsibilities of the Council and the Chief Finance Officer (Service Director for Finance).
Auditor's Report	This gives the auditor's opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Core Financial Statements:	
Comprehensive Income and Expenditure Statement (CIES)	This shows the net cost of providing services for the year, including that for Plymouth's maintained schools. The top half of the statement provides an analysis by service area, on the same basis that these services are managed by the Council. The bottom half of the statement deals with in accordance with generally accepted accounting practices. The Expenditure Funding Analysis (note 7) compares the CIES with levels of income and expenditure which are taken into account when setting the annual budget and council tax since certain amounts are disregarded by statute.
Balance Sheet	The Balance Sheet shows a 'snapshot' of the Council's financial position at year end. The top half of the Balance Sheet sets out the Council's assets and liabilities, including provision for known liabilities from past events that can be reliably estimated. The lower half of the Balance Sheet shows the Council's reserves. Usable reserves reflect actual cash amounts and unusable reserves result from accounting adjustments required by statute or accounting standards and cannot be spent.
Movement in Reserves Statement (MIRS)	This shows the movements in reserves during the year, analysed into the different funds held by the Council and classified as either 'usable' reserves which can be used to fund future expenditure or 'unusable' reserves which are maintained to meet specific statutory responsibilities and adjustments (e.g. valuation reserves showing the change in book value of assets and liabilities).
Cash Flow Statement	This financial statement shows how changes in balance sheet accounts and income affect cash and cash equivalents. It breaks the analysis down to operating activities, investing activities (including capital spend and disposals) and financing activities (such as repayment of borrowing and other long-term activities).
Supplementary Statements and Notes:	
Collection Fund	This account demonstrates how income raised from local taxpayers has been redistributed to the Council and other precepting authorities for the provision of services.
Statement of Accounting Policies	Sets out the accounting policies that have been followed in preparing the accounts and how the Code requirements have been met in practice.
Disclosure Notes	These provide more detail about individual transactions and balances.

ANNUAL GOVERNANCE STATEMENT

The Code also sets out the statutory requirement, under the Accounts and Audit (England) Regulations 2015, for every local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and to include a statement reporting on the review with the Statement of Accounts. This review takes the form of the Annual Governance Statement (AGS).

The AGS will be reported to and approved by the Audit Committee on the 23 July 2024. This can then be found on the Council's website.

CONCLUSION

The formal audit of the Draft Statement of Accounts will commence as soon as is practicably possible and in line with our statutory duty the accounts will be made available for scrutiny by interested members of the public from 3 June to 1 August 2024.

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

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

a) Any person interested may inspect and make copies of the accounts to be audited.

b) A local government elector for the area may question the auditor about the accounts and object to any items of unlawful expenditure, loss due to willful default, failure to bring a sum of income into account, or any other matter of public interest. Persons wishing to question the auditor should do so by prior arrangements by contacting 020 7728 3180.

c) If any elector intends to object they must give the auditor prior written notice of any objection and its grounds and send a copy of the notice to the City Council.

The Council's Service Director for Finance (Section 151 Officer) is required to sign the final accounts by a statutory deadline of 31 May 2024 or to issue a public notice stating why this has not been possible.

Further information is available:

- on the Council's website; or
- from Carolyn Haynes, Head of Finance, Ballard House West Hoe Road, Plymouth PL1 3BJ, email corporateaccountancy@plymouth.gov.uk.



David Northey

Service Director for Finance and Section 151 Officer
Ballard House
West Hoe Road
Plymouth
PL1 3BJ

Dated: 31 May 2024

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Service Director for Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Service Director for Finance (Section 151 Officer) Responsibilities

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

In preparing this Statement of Accounts, the Service Director for Finance has:

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

The Service Director for Finance has also:

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

In signing these accounts, the Service Director for Finance confirms that these statements give a 'true and fair' view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year ended 31 March 2024.



David Northey

Service Director for Finance and Section 151 Officer
Ballard House
West Hoe Road
Plymouth
PL1 3BJ

Dated: 31 March 2024

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2024

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2022/23 Gross Expenditure	2022/23 Gross Income	2022/23 Net Expenditure		Note	2023/24 Gross Expenditure	2023/24 Gross Income	2023/24 Net Expenditure
£000	£000	£000			£000	£000	£000
7,061	(508)	6,553	Executive Office		7,080	(599)	6,481
9,113	(41,334)	(32,221)	Corporate Items		7,161	(44,934)	(37,773)
106,702	(66,524)	40,178	Customer and Corporate Services		109,030	(64,634)	44,396
326,543	(148,506)	178,037	People Directorate		354,450	(170,881)	183,569
21,885	(22,360)	(475)	Public Health		31,090	(25,774)	5,316
115,452	(50,652)	64,800	Place Directorate		86,143	(54,977)	31,166
586,756	**(329,884)**	**256,872**	**(Surplus)/Deficit on Continuing Operations**		**594,954**	**(361,799)**	**233,155**
11,857	(2,593)	9,264	Other Operating Expenditure	11	21,891	(1,367)	20,524
54,544	(24,815)	29,729	Financing and Investment Income and Expenditure	13	54,552	(31,694)	22,858
0	(241,867)	(241,867)	Taxation and Non-Specific Grant Income	14	0	(295,379)	(295,379)
653,157	**(599,159)**	**53,998**	**(Surplus)/Deficit on Provision of Services**		**671,397**	**(690,239)**	**(18,842)**
		(15,268)	(Surplus)/deficit on Revaluation of Non-Current Assets	22.1			(62,667)
		(356,018)	Re-measurement of the Net Defined Benefit Liability (Assets)	22.4			43,272
		(13,393)	Hedge recognised (gains)/losses				(2,542)
		(2,703)	Other recognised (gains)/losses				(55)
		(387,382)	**Other Comprehensive Income and Expenditure**				**(21,992)**
		(333,384)	**Total Comprehensive Income and Expenditure**				**(40,834)**

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2024

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance movements in the year following those adjustments.

Movement in Reserves Statement	Note	General Fund Balance	Earmarked General Fund	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2022		**8,743**	**81,833**	**90,576**	**16,982**	**15,130**	**122,688**	**(25,092)**	**97,596**
Movement in Reserves 2022/23									
Total comprehensive income and expenditure		(53,998)	0	(53,998)	0	0	(53,998)	387,382	333,384
Adjustments between accounting basis and funding under regulations	10	17,717	0	17,717	225	23,558	41,500	(41,500)	0
Net Increase/(Decrease) Before Transfer to Earmarked Reserves		**(36,281)**	**0**	**(36,281)**	**225**	**23,558**	**(12,498)**	**345,882**	**333,384**
Transfer (to)/from reserves	12	36,281	(36,281)	0	0	0	0	0	0
Net Increase/(Decrease) in 2022/23		**0**	**(36,281)**	**(36,281)**	**225**	**23,558**	**(12,498)**	**345,882**	**333,384**
Balance at 31 March 2023		**8,743**	**45,552**	**54,295**	**17,207**	**38,688**	**110,190**	**320,790**	**430,980**
Movement in Reserves 2023/24									
Total comprehensive income and expenditure		18,842	0	18,842	0	0	18,842	21,992	40,834
Adjustments between accounting basis and funding under regulations	10	(20,823)	0	(20,823)	(2,868)	1,167	(22,524)	22,524	0
Net Increase/(Decrease) Before Transfer to Earmarked Reserves		**(1,981)**	**0**	**(1,981)**	**(2,868)**	**1,167**	**(3,682)**	**44,516**	**40,834**
Transfer (to)/from reserves	12	1,981	(1,981)	0	0	0	0	0	0
Net Increase/(Decrease) in 2023/24		**0**	**(1,981)**	**(1,981)**	**(2,868)**	**1,167**	**(3,682)**	**44,516**	**40,834**
Balance at 31 March 2024		**8,743**	**43,571**	**52,314**	**14,339**	**39,855**	**106,508**	**365,306**	**471,814**

BALANCE SHEET

The Balance Sheet shows the value of the assets and liabilities recognised by the Council as at the Balance Sheet date. The net assets of the Council are matched by the reserves held. Usable reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). Unusable reserves are those that the Council is not able to use to provide services, including reserves that hold unrealised gains and losses (for example the Revaluation Reserve), and reserves that hold timing differences shown in the Movement in Reserve Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2023		Note	31 March 2024
£000			£000
1,007,098	Property, Plant and Equipment	15	1,068,243
25,658	Heritage Assets	16	51,236
238,435	Investment Properties	17	223,724
80,179	Long-Term Investments	18.1	81,333
9,612	Long-Term Debtors	19.2	10,249
1,360,982	**Non-Current Assets**		**1,434,785**
596	Inventories		971
65,590	Short-Term Debtors	19.1	106,421
30,182	Cash and Cash Equivalents	18.1	26,998
330	Assets Held for Sale		2,803
96,698	**Currents Assets**		**137,193**
(80,727)	Short-Term Borrowing	18.1	(93,052)
(123,958)	Short-Term Creditors	20.1	(112,438)
(7,595)	Short-Term Provisions	21	(6,626)
(9,792)	Grants Received in Advance - Revenue	29.1	(9,830)
(132,405)	Grants Received in Advance - Capital	29.1	(92,100)
(354,477)	**Current Liabilities**		**(314,046)**
(10,178)	Long-Term Creditors	20.2	(9,376)
(9,683)	Long-Term Provisions	21	(9,388)
(484,223)	Long-Term Borrowing	18.1	(571,009)
(27,465)	Long-Term Liabilities Pensions	34.3 & 34.9	(64,372)
(108,550)	Other Long-Term Liabilities	20.3	(103,561)
(32,124)	Grants Received in Advance - Capital	29.2	(28,412)
(672,223)	**Long-Term Liabilities**		**(786,118)**
430,980	**Net Assets**		**471,814**
110,190	Usable Reserves		106,508
320,790	Unusable Reserves	22	365,306
430,980	**Total Reserves**		**471,814**

CASH FLOW STATEMENT

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

2022/23		Note	2023/24
£000			£000
(53,998)	Net Surplus/(Deficit) on the Provision of Service	23.1	18,842
111,348	Adjustment to the Net Surplus/(Deficit) on the Provision of Service for non-cash movements	23.1	(46,112)
(39,301)	Adjustments for items included in the Net Surplus/(Deficit) on the Provision of Service that are investing and financing activities	23.1	(81,401)
18,049	**Net Cash Flows from Operating Activities**		**(108,671)**
(55,269)	Investing activities	23.2	(31,812)
27,175	Financing activities	23.3	137,299
(10,045)	**Net Increase/(Decrease)in Cash and Cash Equivalents**		**(3,184)**
40,227	Cash and cash equivalents at the beginning of the reporting period	23.4	30,182
30,182	**Cash and Cash Equivalents at the End of the Reporting Period**		**26,998**

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1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year ended 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 (as amended), which require the accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (The Code), supported by International Financial Reporting Standards (IFRS).

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

These Accounts have been prepared on a going concern basis and it has been assumed that the functions of the Council will continue in operational existence for the foreseeable future. The Code requires that local authorities prepare their accounts on a going concern basis as they can only be discontinued under statutory prescription and there is no notice from Government to that effect.

1.2 Accruals of Income and Expenditure

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

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

1.3 Cash and Cash Equivalents

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

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

1.4 Exceptional Items

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

1.5 Benefit Payments

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

1.6 Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

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

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

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

1.7 Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue, called the Minimum Revenue Provision (MRP), towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.8 Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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

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

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

1.9 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, flexi and time off in lieu (TOIL) as well as bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

Termination Benefits

Termination benefits (e.g. redundancy payments) are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service, or where applicable the Corporate Service line in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the cost of restructuring.

Post-Employment Benefits (Pensions)

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

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

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

Teachers' Pension Scheme

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Educational Services line in the CIES is charged with the employer's contributions payable to Teachers' Pensions in the year.

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.9%.

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

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

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked;
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the provision of Services in the CIES as part of corporate items;
- net interest on the net defined liability/(asset) i.e. net interest expense for the Council – the change during the period on the net defined liability/(asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the CIES Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/(asset) during the period as a result of contribution and benefit payments;
- re-measurement of the return on plan assets – excluding amounts included in the net interest on the net defined liability/(asset)- charged to the pension reserve as Other Comprehensive Income and Expenditure;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to Pensions Reserve as Other Comprehensive Income and Expenditure;
- contributions paid to the Devon County Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.
- effect of the asset ceiling – the limitation on the Council's ability to realise pension assets through reductions in future employer's contributions as result of minimum funding requirements.

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

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff, including teachers as outlined above, are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.10 Events After the Balance Sheet Date

Events after the Balance Sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

1.11 Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the general fund balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement.

Financial Assets

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

- amortised cost;

- fair value through profit or loss (FVPL), and;
- fair value through other comprehensive income (FVOCI).

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Financial Assets Measured at Fair Value through Profit and Loss

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

Fair Value Measurement of Financial Assets

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

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

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

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

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

Financial Derivatives

Financial derivatives are measured at FVPL and therefore all gains and losses are taken to the Financing and Investment Income and Expenditure line in the CIES unless the derivative is designated in an effective hedging relationship (see note 1.28).

1.12 Revenue Recognition

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

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

The analysis carried out to date indicates that there will be no material impact on the revenue recognised in relation to the significant contracts entered into by the Council.

1.13 Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the CIES until the conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as stated, or future economic benefits or service potential must be returned to the transferor (grant provider).

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

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MiRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.14 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

1.15 Interests in Companies and Other Entities

An assessment of the Council's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control over an entity. The Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Council does have a number of interests in companies and other entities, none of which would be material on consolidation due to the elimination of group transactions. Thus the production of group accounts is not required for these interests.

1.16 Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the general fund balance in the MIRS and posted to the capital adjustment account and the capital receipts reserve.

1.17 Heritage Assets

The Box is responsible for over 800,000 artefacts and a proportion of the collections have been held on display in the museum, council buildings and other historic sites. These collections span a wide range of fine and decorative art, archaeology, world cultures, social and natural history and local and maritime history. These are held in support of the primary objective of the Council to ensure that these objects are preserved in trust for future generations because of their cultural, environmental or historical associations.

The Council classifies its Heritage Assets into five main categories – historic buildings and monuments, fine art and world cultures collections, gold, silver and jewellery, special books and natural history,

decorative art and other miscellany collections – with the bulk of the artefacts not being formally recognised on the Balance Sheet as it is believed that to do so would involve a disproportionate cost in comparison to the benefits to users of the Council's financial statements.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets, detailed as follows.

Where a historic building is being used significantly for the provision of services (for example Mount Edgcumbe House or The Box) this will be recognised as Other Land and Buildings rather than as a Heritage Asset.

The Council's collections are accounted for as follows:

- **Historic Buildings and Monuments**

  Historic buildings and monuments classified as Heritage Assets include Smeaton's Tower.

  The list is relatively static and acquisitions and donations are rare. Where they do occur acquisitions would be initially recognised at cost and donations would be recognised at insurance value which is based on market values.

  As these are deemed to have an indefinite life, the Council does not consider it appropriate to charge depreciation.

- **Fine Art and World Cultures Collection**

  The Council has a large and important fine art collection comprising paintings, watercolours, drawings, prints, miniatures and sculptures. Highlights include the outstanding Cottonian Collection and works by local artists such as Sir Joshua Reynolds, and this represents the largest fine arts collection in the south west. The world cultures collection consists of objects collected from foreign countries spanning the globe.

  Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance values, usually based on valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant information from sales at auction.

  As these items are deemed to have an indefinite life, the Council does not consider it appropriate to charge depreciation.

- **Gold, Silver and Jewellery Collection**

  The collection of gold, silver and jewellery includes local pieces dating from the 18th to 20th century and is representative of the thriving local community. Key pieces in the collection include the Eddystone Lighthouse Salt and the Drake Cup.

  Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance values, usually based on valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant information from sales at auction.

- **Special Books Collection**

  The Libraries Service maintains a collection of special books including The Ptolemy Atlas, Naval Collection and Moxon Collection.

  Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance values, usually based on valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant information from sales at auction.

- **Natural History, Decorative Art and other miscellany Collections**

  This collection is made up of a wide range of Archaeological, social & maritime, imagery and natural history collections.

  Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance values, usually based on valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant information from sales at auction.

The Council's policy for the acquisition, preservation and management of museum assets can be found on The Box website.

The carrying amount of Heritage Assets are reviewed on a regular basis to assess whether there has been any evidence of impairment caused by physical deterioration or breakage, or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairments – see note 1.20 in this summary of significant accounting policies. If there is any occasion where a Heritage Asset is disposed of, the proceeds of such items are accounted for in accordance with the Council's general provisions for the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the Notes to the Financial Statements (see note 15.4) and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts – see note 1.20 in this summary of significant accounting policies.

1.18 Assets Held for Sale

When it becomes probable that the value of an asset will be recovered principally through a sale rather than through its continuing use, and the asset is being actively marketed, it is reclassified as an Asset Held for Sale. The asset is revalued and held at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

Assets that are no longer used for operational purposes but are not actively being marketed are revalued and reclassified as surplus but still retained within Property, Plant and Equipment and transferred to Assets Held for Sale only when a decision is made to actively market the asset.

1.19 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as the Lessee (Leased in Assets)

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

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

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

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

The Council as the Lessor (Assets Leased Out)

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the (Surplus)/Deficit on Continuing Operations in the CIES. Credits are made on a straight-line basis over the life of the lease.

IFRS 16 Leases

CIPFA/LASAAC have deferred implementation of IFRS16 for Local Government to 1 April 2024. IFRS 16 will impact the way in which the council reports operating leases. Under IFRS 16 the Council will be required to recognise a right of use asset and a lease liability on the Balance Sheet (subject to certain exemptions); currently the Council includes these costs as operating lease payments in the CIES.

Under IFRS 16 a lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time. A contract can be (or contain) a lease only if the underlying asset is 'identified'. Having the right to control the use of an identified asset means having the right to direct, and obtain all of the economic benefits from, the use of that asset. These rights must be in place for a period of time and/or a specified amount of use.

Types of assets that may be suitable for leasing include the following:

- Transport (vehicles and cars);
- Equipment;
- Property;
- Land;
- Technology (including computers, telephony and other communications equipment);
- Plant,

- Furniture, Fixtures and Fittings,
- Leisure Equipment; and
- Managed Service Contracts (embedded leases)

Under IFRS16 there are two types of leases; non-residual based, and residual based.

Non-residual based: there is no assumed residual value, repayments cover all the principal with interest, there are no return conditions and there is an entitlement to any sales proceeds.

Residual based: there is an assumed residual value, repayments are the principle with interest (exclude the residual value amount), there are return conditions and there is no entitlement to sales proceeds.

Recognition Exemptions

There are two specific exemptions for lessees from applying the detailed accounting requirements to transactions that would meet the definition of a lease:

Short-term leases

Leases that have a lease term of 12 months or less at the commencement date. Any lease that contains a purchase option is automatically excluded from the definition. Contracts that might meet the criteria as short-term include property tenancies with notice periods of less than 12 months, hire agreements for vehicles, plant and equipment.

Leases where the underlying asset is of low value.

The Code allows authorities to elect not to apply the lease accounting provisions to leases where the underlying asset is of low value, even if the impact of doing so would be material. Leases that have an annual value of less than £10k are deemed to be low value.

1.20 Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

The Council operates a policy of assets capitalisation (including donated assets) with a minimum asset value of £10,000 for land and property and £5,000 for vehicle, plant and equipment. However, there is no minimum level applied for capital spend incurred by individual schools financed from capital grants.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure and community assets – depreciated historical cost;

- assets under construction – historical cost;
- surplus assets – fair value;
- the Tamar Toll Bridge - depreciated replacement cost;
- all other assets – current value in their existing use.

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

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

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

Impairment

Assets are assessed at each year-end to determine whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets revalued as part of the 5 year rolling programme by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life such as freehold land and certain Community Assets, and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on a straight line basis over the useful life of the asset as determined by the valuer. Depreciation is charged to the CIES based on values as at the start of the year. No depreciation is applied in year of acquisition or construction. The depreciation periods currently used are:

Operational Buildings:	
Car parks	5 to 50 years
Schools	5 to 50 years
Other buildings	5 to 60 years
Tamar Bridge	120 years
Infrastructure	20 to 40 years
Vehicles and Plant	5 to 25 years

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

Componentisation

The Council's componentisation policy is as follows:

- **Materiality Level**

  Assets with a building value of £2.5m or above are considered for componentisation on an individual asset basis. Consideration is also given to groups of similar assets that individually are below the materiality level for componentisation but may collectively be material.

- **Significance**

  Components with a value of 20% or above of the overall asset value are significant components.

  In terms of schools, components are defined as separate school blocks or buildings and componentisation applied where the values meet the 20% criteria.

- **Different Asset Life**

  The difference in life between the host asset and the component must be over 5 years for componentisation to be recorded.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued at year-end before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previously recognised losses in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and revalued at year-end. Any subsequent move in value up or down will be treated in the same way as any other asset revaluation.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are required to be credited to the Capital Receipts Reserve. Capital receipts can then only be used for:

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

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

Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

- **Recognition**

  Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably.

- **Measurement**

  Highways infrastructure assets are generally measured at depreciated historical cost. Plymouth City Council was incorporated as a unitary authority on the 1 April 1998 and the highways infrastructure assets was transferred from Devon County Council and recognised in the Balance Sheet at nil value. This means that the current highways infrastructure asset value only represents capital expenditure that has incurred since that time. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

- **Depreciation**

  Depreciation is provided on the parts of the highways infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year.

- **Disposals and Derecognition**

  When a component of the highways infrastructure asset is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

1.21 Private Finance Initiative (PFI) and Similar Contracts

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

The Council's original recognition of PFI assets are based on the cost of construction or purchase cost of the property and is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

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

- fair value of the services received during the year;
- finance costs – an interest charge on the outstanding Balance Sheet liability;
- contingent rent – increases in the amount to be paid for the property arising during the contract;
- payment towards finance liability – applied to write down the Balance Sheet liability towards the PFI operator;
- lifecycle costs – costs to maintain assets used to operationally acceptable standard.

Schools PFI Credits

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

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

South West Devon Energy from Waste (EfW) PFI

For the Energy from Waste Scheme there is the additional element of deferred credit from the write down of the long term liability for the expected third party income received during the year.

1.22 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged to the appropriate service in the year that the Council becomes aware of its obligation. It can only be used for the purpose for which it was established.

Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in note 35.2.

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts, note 35.1, where it is probable that there will be an inflow of economic benefits or service potential.

1.23 Reserves

The Council maintains a number of reserves which may be required for statutory purposes or set up voluntarily to earmark resources for future spending plans or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the MiRS.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS so that there is no net charge against Council Tax for the expenditure.

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

1.24 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MiRS from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.25 Accounting for Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for Local Authority maintained schools lies with the Local Authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Local Authority financial statements. Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council. The Council has the following types of maintained schools under its control:

- community; and
- voluntary controlled

School non-current assets are recognised on the Balance Sheet where the Council directly owns the assets or where the school or the school governing body own the assets but the Council is deemed to exercise control.

When a maintained school converts to an Academy, Voluntary Aided or Foundation Trust/Foundation; the school's non-current assets held on the Council's Balance Sheet are treated as a disposal. The carrying value of the asset is written off to Financing and Investment Income and Expenditure in the CIES. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to Academy status is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

The income and expenditure is included within the People directorate in the CIES. The reserves are included in the Education Reserve balance, which forms part of the Council's Useable reserves.

1.26 Value Added Tax

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

1.27 Fair Value Measurement of Non-Financial Assets

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be receivable to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability; or

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

1.28 Hedge Accounting

The Council applies hedge accounting to its cash flow hedges of interest rate risk where the variability in interest payments on borrowing is offset by variable receipts from interest rate swaps. Hedge relationships are formally designated and documented at inception together with the risk management objective and strategy in operation.

The effective portion of the gain or loss on a cash flow hedging instrument is taken to the Cash Flow Hedge Reserve and reported in Other Comprehensive Income while any ineffective portion is recognised in the Surplus or Deficit on the Provision of Services.

Hedge accounting is discontinued only when the hedging relationship ceases to meet the qualifying criteria, for example when highly probable forecast loan transactions are no longer highly probable or when the hedging instrument is derecognised. If a forecast transaction is no longer expected to occur, then the balance on the cash flow hedge reserve is reclassified to the surplus of deficit on the provision of services.

1.29 Rounding Convention

Unless otherwise stated the convention used in these Financial Statements is to round amounts to the nearest thousand pounds. All totals are the rounded additions of unrounded figures, and therefore may – from time-to-time – not be the strict sums of the figures presented in the text or tables.

2 Material Items of Income and Expenditure

This note identifies material items of income and expenditure that are not disclosed on the face of the Comprehensive Income and Expenditure Statement. The Council has no material items which need to be disclosed.

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

Tamar Bridge Valuation – Departure from the Code of Practice

The Tamar Bridge is a toll bridge that is jointly owned by Cornwall Council and Plymouth City Council. The Code of Practice on Local Authority Accounting requires infrastructure assets to be accounted for using depreciated historic cost, however both Councils use depreciated replacement cost (DRC) to value the asset. This is because the Tamar Bridge is an income generating asset and the income generated is used to maintain its upkeep. It is therefore treated as a separate class of asset and the reader of the Council's accounts might reasonably expect there to be a relationship between the income raised in tolls and the cost of maintaining and ultimately replacing the bridge. The current DRC value of the bridge is £83.084m, if the bridge was valued at its depreciated historic cost in line with other infrastructure assets the value would be £27.337m, so would therefore be misleading to use historic cost as a basis for valuation.

The Council has concluded that, taking account of the above, the financial statements present a true and fair view of the Council's financial position, financial performance and cash flows and has complied with the Code in all other respects.

Asset Classifications

The Council has made judgements on whether assets are classified as Investment Property, or Property, Plant and Equipment. These judgements are based on the main reason that the Council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties that are subsidised by the Council it is deemed to be a Property, Plant and Equipment asset. If there is no subsidy and/or a full market rent being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method used. Details of the fair value of Investment Property are provided in Note 17.

Financial Assets

The Council has assessed that its investment in the CCLA Local Authorities Property Fund should be measured at Fair Value through Profit and Loss. Note 17 provides details of the fair value of the fund.

Government Grants

The Council has made judgements about whether government grants are ringfenced or unringfenced based on the conditions attached to the grant. Ringfenced grants are credited to service revenue accounts within the Comprehensive Income and Expenditure Statement (CIES), whereas unringfenced grants are recognised within taxation and non-specific grant income and expenditure within the CIES. Further details of grants received are provided in Note 29 Capital and Revenue Grants & Contributions, Receipts in Advance.

Highways Infrastructure Assets

The Council has elected to take up a statutory override relating to the accounting for highways infrastructure assets. This provides that for all statements of accounts that are currently open (up to 2025/26), authorities are not required to report gross book value and accumulated depreciation for infrastructure assets, because the information is unlikely to faithfully represent the asset position to the users of the financial statements. In accordance with the temporary relief offered by the changes to the Code on accounting for infrastructure assets, Note 15.1 does not include disclosure of gross cost and

accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

Pension Asset Ceiling

In calculating the net pensions asset, the Council has made a judgement that the statutory framework for setting employer's contributions under the Local Government Pension Scheme constitutes a minimum funding requirement. As a result, the Council's ability to realise the full economic benefits of the net pensions asset calculated under the Accounting Code's provisions for post-employment benefits through reductions in future employer's contributions is limited. An asset ceiling therefore applies. The fact that the Council has a right under the current funding strategy for the Scheme to recover a smaller surplus of £89.873m means that the asset ceiling has reduced what would otherwise be the net pensions asset of £65.662m to a liability of £64.262m.

The practical effect of this is to move the basis of measurement for the net pensions asset/liability closer to the assumptions made in the triennial valuation of the Scheme under which the employer's contributions were set by the Scheme's actuaries. It does not indicate that the Council has paid excess amounts into the Scheme that it will never be able to recover.

4 Accounting Standards that have been Issued but Not Yet Adopted

Where a new standard has been published but has not yet been adopted by the Code, the Council is required to disclose information relating to the impact of these accounting changes. This requirement applies to International Financial Reporting Standards (IFRS) that have not been applied in the 2023/24 Code and that came into effect on or before 1 January 2024.

For the 2024/25 financial year, the Council must implement IFRS 16 *Leases,* applying the provisions as they have been adopted in the 2024/25 Accounting Code.

The main impact of IFRS 16 will relate to property that the Council holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable. Under IFRS 16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, measuring the value of the Council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires.

When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements are in place that will allow the impact on the General Fund Balance to be unchanged – ie, that the overall charge for each year will be the rents payable in that year.

Based on the minimum lease payments outstanding at 31 March 2024 disclosed in Note 32, it is estimated that the transition will result in the recognition of new assets and liabilities in the Balance Sheet of £5 million.

Apart from IFRS16 there are no changes in accounting requirements for 2024/25 that are anticipated to have a material impact on the Council's financial performance or financial position.

5 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

In preparing the Statement of Accounts, there are areas where estimates have been made. Estimates are made taking into account historical experience, current trends and other relevant factors. These include the amount of arrears that will not be collected (based on past experience of collection for the different types of debt); useful lives and valuations of properties which are estimated by qualified valuers (for

further details see note 1.20); and the liability for future pension payments, which carries the most significant risk of material adjustment.

Item	Uncertainties	Consequences (if actual results differ from assumptions)
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. Asset valuations are based on market prices, condition surveys and standards of professional practice set out by the Royal Institute of Chartered Surveyors (RICS) and a small proportion of assets are periodically re-valued using a 5-year rolling programme. The Council's valuers and external valuers provided valuations as at 31 March 2024 for approximately 72% of its operational portfolio in order to ensure that the Council does not materially misstate its Property, Plant and Equipment. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The carrying value of this long-term asset at the end of the reporting period was £1,068.244m. Valuations are reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. This means that less certainty and a higher degree of caution should be attached to valuations.	Any change in the valuation or useful life of an asset would affect the carrying value of the asset in the balance sheet and the charge for depreciation or impairment would impact on the CIES. If the value of the Council's operational properties reduced by 10%, this would result in a net reduction of £62.982m which would either result in a decrease to the Revaluation Reserve and/or a charge to the CIES. An increase in estimated valuations would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the CIES. The above changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from Council Tax receipts.
Investment Property	The Council values its Investment Property (IP) annually and the fair value at 31 March 2024 was £223.724m. Key assumptions in the valuation of investment property include cashflows, market rents and yield. It is uncertain what impact the current economic climate will have on property values and there is a risk of material changes during the next year.	A 1% change to the IP valuations would change the reported value of IP by £2.237m.
NDR Appeals Provision	Since the introduction of the Business Rates Retention Scheme from April 2013, local authorities are liable for successful appeals/challenges against business rates charged to businesses. Therefore, a provision has been recognised for the best estimate of the amount businesses have been overcharged up to the 31 March 2024, the Council's share of which is £4.747m.	An increase or reduction of the appeals provision estimate of 10% would increase/(reduce) the Council's share of the NDR appeals provision by £0.474m.

	The estimate which has been verified by an external consultant is based on an assessment of the likely success of the checks and challenges outstanding on the Valuation Office Agency (VOA) list and projected appeals adjusted for local knowledge.	
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham are the consultant actuaries for the pension scheme providing expert advice about the assumptions to be applied. Those assumptions are detailed in note 34 to the accounts. The carrying value of this long-term liability at the end of the reporting period was £64.372m.	The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the balance sheet and the cost shown in the CIES. The changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from council tax receipts.

Material Uncertainties

There are material uncertainties around valuations in the following areas:

Property, Plant and Equipment – Valuations Undertaken at 31 March 2024

Non-current asset valuations are based on professional valuations which themselves can use indicators such as market conditions. These are reviewed annually to ensure that they are materially correct when reported within the annual statement of accounts. However, as the value of Property, Plant and Equipment in the Council's balance sheet is in excess of £1,068.244m a small adjustment in these valuations could have a material impact on the value held in the Council's accounts.

Pensions Liability

The Council's liability as at the 31 March is based on a number of complex judgements relating to the discount rate used, the rate at which salaries may change, changes in mortality rates and expected returns on pension fund assets. There are uncertainties in the financial markets caused by the current Ukrainian war. The effects on the net pension liability of changes in individual assumptions can be measured. For example, a future 0.1% increase in the discount rate assumption would result in a reduction in the (gross) pension liability of £13.405m. Similarly, a reduction of 1 year in the mortality assumption would result in a reduction of £33.894m in the (gross) pension liability. Further detail is held in note 34 to the accounts. The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the balance sheet and the cost shown in the CIES. These changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from council tax receipts.

6 Events After the Balance Sheet Reporting Period

The Council's Section 151 Officer authorised the Statement of Accounts on 31 May 2024. Events taking place after this date are not reflected in the financial statements. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no known events after the 31 March 2024 that would have material impact on the Council's position.

7 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by Local Authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2022/23 Directorate Total Reported for Outturn	2022/23 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances	2022/23 Net Expenditure Chargeable to the General Fund Balances	2022/23 Adjustments Between the Funding and Accounting Basis	2022/23 Net Expenditure to the CIES		2023/24 Directorate Total Reported for Outturn	2023/24 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances	2023/24 Net Expenditure Chargeable to the General Fund Balances	2023/24 Adjustments Between the Funding and Accounting Basis	2023/24 Net Expenditure to the CIES
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
5,732	0	5,732	821	6,553	Executive Office	6,739	0	6,739	(258)	6,481
(46,013)	1,882	(44,131)	11,910	(32,221)	Corporate Items	(266,988)	226,997	(39,991)	2,218	(37,773)
48,769	(10,961)	37,808	2,370	40,178	Customer and Corporate Services	53,682	(13,974)	39,708	4,688	44,396
163,232	0	163,232	14,805	178,037	People Directorate	174,640	(1)	174,639	8,930	183,569
(545)	2	(543)	68	(475)	Public Health	2,802	0	2,802	2,514	5,316
26,575	(52)	26,523	38,277	64,800	Place Directorate	28,874	(592)	28,282	2,884	31,166
197,750	**(9,129)**	**188,621**	**68,251**	**256,872**	**Net Cost of Service**	**(251)**	**212,430**	**212,179**	**20,976**	**233,155**
		(152,340)	(50,534)	(202,874)	Other Income and Expenditure			(210,198)	(41,799)	(251,997)
		36,281	**17,717**	**53,998**	**(Surplus)/Deficit on Provision of Service**			**1,981**	**(20,823)**	**(18,842)**
		(90,578)			Opening General Fund and Earmarked Balance at 31 March			(54,297)		
		36,281			(Surplus)/Deficit on General Fund and Earmarked Balance in Year			1,981		
		(54,297)			**Closing General Fund Balance at 31 March**			**(52,316)**		

8 Note to the Expenditure and Funding Analysis

Adjustments between funding and accounting basis:

Adjustments from General Fund to Arrive at the CIES Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
2023/24	**£000**	**£000**	**£000**	**£000**
Executive Office	36	(290)	(4)	(258)
Corporate Items	599	944	675	2,218
Customer and Corporate Services	6,784	(1,071)	(1,025)	4,688
People Directorate	7,147	(2,981)	4,764	8,930
Public Health	4,141	(268)	(1,359)	2,514
Place Directorate	13,569	(2,030)	(8,655)	2,884
Net Cost of Service	**32,276**	**(5,696)**	**(5,604)**	**20,976**
Other Income and Expenditure from the Expenditure and Funding Analysis	48,846	(1,520)	(89,125)	(41,799)
Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service	**81,122**	**(7,216)**	**(94,729)**	**(20,823)**

Adjustments from General Fund to Arrive at the CIES Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
2022/23	**£000**	**£000**	**£000**	**£000**
Executive Office	29	265	527	821
Corporate Items	346	28	11,536	11,910
Customer and Corporate Services	4,308	1,298	(3,236)	2,370
People Directorate	8,729	3,372	2,704	14,805
Public Health	269	274	(475)	68
Place Directorate	42,030	2,533	(6,286)	38,277
Net Cost of Service	**55,711**	**7,770**	**4,770**	**68,251**
Other Income and Expenditure from the Expenditure and Funding Analysis	37,669	2,432	(90,635)	(50,534)
Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service	**93,380**	**10,202**	**(85,865)**	**17,717**

Adjustment for Capital Purposes

Adjustments for Capital Purposes – this column adds in depreciation, impairment and revaluation gains/losses in the services line and for:

- **Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and Investment Income and Expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are

deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and Non-Specific Grant Income and Expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions, or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Charge for the Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- **Services** – this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs
- **Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statue:

- **Financing and Investment Income and Expenditure** – the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- **Taxation and Non-Specific Grant Income and Expenditure** – the charge represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

9 Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

Expenditure/Income	2022/23	2023/24
	£000	£000
Expenditure:		
Employee benefits expenses	142,073	128,319
Other service expenses	417,938	475,272
Depreciation, amortisation, impairment	74,154	44,309
Interest payments	18,992	23,497
Total Expenditure	**653,157**	**671,397**
Income:		
Fees, charges and other service income	(134,812)	(151,313)
Interest and investment income	(1,205)	(4,632)
Income from council tax, non-domestic rates, district rate income	(183,403)	(192,523)
Government grants and contributions	(279,739)	(341,771)
Total Income	**(599,159)**	**(690,239)**
Surplus or Deficit on the Provision of Service	**53,998**	**(18,842)**

10 Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Adjustments Between Accounting Basis and Funding Basis Under Regulations	2022/23				2023/24			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:								
Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non-current assets	(39,697)	0	0	39,697	(44,253)	0	0	44,253
Revaluation losses on Property, Plant and Equipment	(13,965)	0	0	13,965	19,142	0	0	(19,142)
Movements in the market value of Investment Properties	(15,198)	0	0	15,198	(12,946)	0	0	12,946
Amortisation of intangible assets	(2)	0	0	2	0	0	0	0
Capital grants and contributions	36,708	0	(36,708)	0	80,211	0	(80,211)	0
Revenue expenditure funded from capital under statute	(12,479)	0	0	12,479	(23,193)	0	0	23,193
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(11,179)	(3)	0	11,182	(20,089)	(1,194)	0	21,283
Deferred credit Energy from Waste	2,324	0	0	(2,324)	2,324	0	0	(2,324)
Insertion of Items not Debited or Credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	21,489	542	0	(22,031)	21,920	756	0	(22,676)
Capital expenditure charged against the General Fund	704	0	0	(704)	273	0	0	(273)
Adjustments involving the Capital Receipts Reserve:								
Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement	2,590	(2,593)	0	3	197	(197)	0	0
Total C/FWD	**(28,705)**	**(2,054)**	**(36,708)**	**67,467**	**23,586**	**(635)**	**(80,211)**	**57,260**

Adjustments Between Accounting Basis and Funding Basis Under Regulations	2022/23				2023/24			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Total B/FWD	**(28,705)**	**(2,054)**	**(36,708)**	**67,467**	**23,586**	**(635)**	**(80,211)**	**57,260**
Long term debtor repayments in year	0	(814)	0	814	0	(2,845)	0	2,845
Use of the Capital Receipts Reserve to finance new capital expenditure	0	2,643	0	(2,643)	0	6,348	0	(6,348)
Adjustments Involving the Capital Grants Unapplied Account:								
Use of the Capital Grants unapplied Account to finance new capital expenditure	0	0	13,150	(13,150)	0	0	79,044	(79,044)
Adjustments Involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	617	0	0	(617)	620	0	0	(620)
Adjustments Involving the Pooled Investments Fund Adjustment Account								
Amount by which Financial Instruments charged to the Comprehensive Income and Expenditure Statement are different from amounts chargeable in the year in accordance of statutory requirements	(5,725)	0	0	5,725	(652)	0	0	652
Adjustments Involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(25,970)	0	0	25,970	(11,751)	0	0	11,751
Employer's pensions contributions and direct payments to pensioners payable in the year	15,838	0	0	(15,838)	18,968	0	0	(18,968)
Adjustments Involving the Collection Fund Adjustment Account:								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	26,487	0	0	(26,487)	(5,605)	0	0	5,605
Adjustment involving the Dedicated Schools Grant Adjustment Account:								
Transfer of deficit on the Dedicated Schools Grant to the Dedicated Schools Grant Adjustment Account	0	0	0	0	(4,253)	0	0	4,253
Adjustment Involving the Accumulating Compensated Absences Adjustment Account								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(259)	0	0	259	(90)	0	0	90
Total Adjustments	**(17,717)**	**(225)**	**(23,558)**	**41,500**	**20,823**	**2,868**	**(1,167)**	**(22,524)**

General Fund Balances

The General Fund is the statutory fund into which all the receipts of an Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

11 Other Operating Expenditure

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

Other Operating Expenditure	2022/23	2023/24
	£000	£000
Levies	119	120
Gains/losses on the disposal of non-current assets	10,388	21,014
Pension administration costs	556	571
Other income *	(1,799)	(1,181)
Total	**9,264**	**20,524**

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

12 Movement in Earmarked Reserves

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

2023/24	Balance as at 31 March 2023	Transfers to Reserves	Transfers from Reserves	Balance as at 31 March 2024
	£000	£000	£000	£000
Education Reserves	(3,667)	(3,149)	3,662	(3,154)
Other Ringfenced	(3,627)	(801)	0	(4,428)
Other Reserves	(6,061)	(1,628)	1,801	(5,888)
PCC Earmarked Reserves:				
Integrated Finance Reserve	(18,205)	(172)	2,004	(16,373)
Collection Fund Reserve	(792)	(414)	69	(1,137)
Other PCC Earmarked Reserves	(13,200)	(1,454)	2,063	(12,591)
Total Reserves	**(45,552)**	**(7,618)**	**9,599**	**(43,571)**

2022/23	Balance as at 31 March 2022	Transfers to Reserves	Transfers from Reserves	Balance as at 31 March 2023
	£000	£000	£000	£000
Education Reserves	(3,121)	(3,914)	3,368	(3,667)
Other Ringfenced	(4,117)	(2,116)	2,606	(3,627)
Other Reserves	(6,486)	(1,598)	2,023	(6,061)
PCC Earmarked Reserves:				
Integrated Finance Reserve	(22,199)	(1,375)	5,369	(18,205)
Collection Fund Reserve	(21,558)	0	20,766	(792)
Other PCC Earmarked Reserves	(24,354)	(8,578)	19,730	(13,202)
Total Reserves	**(81,835)**	**(17,581)**	**53,862**	**(45,554)**

The main earmarked reserves and their purpose are as follows:

Education/Schools Reserves

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

School Budget Share – Represents unspent balances at the year-end against schools' delegated budgets. The 31 March 2024 balance relating to the School budget share was £3.149m (31 March 2023: £3.662m).

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

Collection Fund Reserve – The Collection Fund Reserve holds balances to 'smooth' the impact and movement of grant funding for Business Rates and Council Tax across multiple financial years.

13 Financing and Investment Income and Expenditure

This contains corporate items of income and expenditure arising from the Council's involvement in financial instruments and similar transactions involving interest or the unwinding of discounts. This heading also includes the income and expenditure relating to investment properties, further details of which can be found in note 17.1.

Analysis of Income/Expenditure	2022/23	2023/24
	£000	£000
Interest payable and similar charges	17,334	23,283
Fair value for Financial Instruments	5,725	652
Pensions interest cost and expected return on pension assets	1,811	(2,029)
Interest receivable and similar income	(4,053)	(5,118)
(Surplus)/deficit on trading undertakings not included in Net Cost of Service	451	307
Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal	8,461	5,763
Total	**29,729**	**22,858**

14 Taxation and Non-Specific Grant Income and Expenditure

Analysis of Income	2022/23	2023/24
	£000	£000
Council tax income	(125,587)	(131,562)
Non domestic rates	(57,816)	(60,961)
Non-ringfenced government grants	(29,778)	(36,588)
Capital grants and contributions	(28,686)	(66,268)
Total	**(241,867)**	**(295,379)**

15 Property, Plant and Equipment

15.1 Movement in Year

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The Council continues to maintain that information and does not consider that the non-disclosure will be detrimentally impact on the readers of the Council's accounts and their understanding of the Council's financial position. The Council's reported position of its assets in the Balance Sheet remains unchanged.

Property, Plant and Equipment Assets	2022/23	2023/24
	£000	£000
Infrastructure Assets	242,352	243,050
Other Property, Plant and Equipment Assets	764,746	825,193
Total Property, Plant and Equipment Assets	**1,007,098**	**1,068,243**

Infrastructure Assets	2022/23	2023/24
	£000	£000
Opening Net Book Value	172,563	242,352
Additions	32,649	12,486
Reclassifications	50,886	6,360
Depreciation	(13,746)	(16,897)
Disposals and Decommissioning	0	(1,251)
Balance as at 31 March	**242,352**	**243,050**

The movement in Property, Plant and Equipment (PPE) in 2023/24 is summarised in the following table:

2023/24	Other Land & Buildings	Vehicles, Plant, Furniture & Fittings	Toll Bridge	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost of Valuation								
At 1 April 2023	638,462	83,915	62,058	3,605	10,044	50,391	848,475	128,935
Additions	10,015	6,276	17	0	27	42,308	58,643	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,501	0	0	0	531	0	6,032	(3,000)
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(3,258)	0	21,009	0	(60)	0	17,691	0
Derecognition - disposals	(17,696)	(18,375)	0	0	(222)	0	(36,293)	0
Other movements in cost or valuation	(1,593)	973	0	0	103	(9,982)	(10,499)	0
At 31 March 2024	**631,431**	**72,789**	**83,084**	**3,605**	**10,423**	**82,717**	**884,049**	**125,935**
Accumulated Depreciation and Impairment								
At 1 April 2023	(24,080)	(57,722)	(585)	(1,302)	(40)	0	(83,729)	(6,052)
Depreciation charge	(20,192)	(5,522)	(741)	0	(29)	0	(26,484)	(5,691)
Depreciation written out to the Revaluation Reserve	30,931	0	0	0	69	0	31,000	11,211
Depreciation written out to the surplus/deficit on the Provision of Services	262	0	1,326	0	0	0	1,588	0
Derecognition - disposals	1,046	17,723	0	0	0	0	18,769	0
At 31 March 24	**(12,033)**	**(45,521)**	**0**	**(1,302)**	**0**	**0**	**(58,856)**	**(532)**
Net Book Value								
At 31 March 2024	**619,398**	**27,268**	**83,084**	**2,303**	**10,423**	**82,717**	**825,193**	**125,403**
At 31 March 2023	**614,382**	**26,193**	**61,473**	**2,303**	**10,004**	**50,391**	**764,746**	**122,883**

2022/23	Other Land & Buildings	Vehicles, Plant, Furniture & Fittings	Toll Bridge	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost of Valuation								
At 1 April 2022	632,026	81,810	62,585	3,605	3,820	82,913	866,759	125,616
Prior year adjustment	(10,464)	0	0	0	0	0	(10,464)	0
Additions	8,872	3,665	15	0	6	30,395	42,953	1
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10,462	0	0	0	(356)	0	10,106	3,318
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(12,119)	0	(542)	0	(1,352)	0	(14,013)	0
Derecognition - disposals	(429)	(1,700)	0	0	(131)	0	(2,260)	0
Other movements in cost or valuation	10,114	140	0	0	8,057	(62,917)	(44,606)	0
At 31 March 2023	**638,462**	**83,915**	**62,058**	**3,605**	**10,044**	**50,391**	**848,475**	**128,935**
Accumulated Depreciation and Impairment								
At 1 April 2022	(20,139)	(54,577)	0	(1,302)	(40)	0	(76,058)	(466)
Prior year adjustment	10,464	0	0	0	0	0	10,464	0
Depreciation charge	(20,076)	(5,324)	(585)	0	(40)	0	(26,025)	(5,586)
Depreciation written out to the Revaluation Reserve	5,126	0	0	0	40	0	5,166	0
Depreciation written out to the surplus/deficit on the Provision of Services	219	0	0	0	0	0	219	0
Derecognition - disposals	97	1,646	0	0	0	0	1,743	0
Other movements in depreciation and impairment	229	533	0	0	0	0	762	0
At 31 March 2023	**(24,080)**	**(57,722)**	**(585)**	**(1,302)**	**(40)**	**0**	**(83,729)**	**(6,052)**
Net Book Value								
At 31 March 2023	**614,382**	**26,193**	**61,473**	**2,303**	**10,004**	**50,391**	**764,746**	**122,883**
At 31 March 2022	**611,887**	**27,233**	**62,585**	**2,303**	**3,780**	**82,913**	**790,701**	**125,150**

15.2 Commitments Under Capital Contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2024 amounted to £35.878m (31 March 2023: £50.283m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme. Significant contractual commitments outstanding as at 31 March 2024 were as follows:

Project	Contractor	Amount
		£000
Derriford District Park	ADC Kimerley Ltd	8,700
The Park Crematorium	Kier Construction Ltd	3,030
City Centre Public Realm	Morgan Sindall Group Plc	2,685
Street Scene & Waste Vehicles	Dennis Eagle UK	1,151
Plymouth & South Devon Freeport	Various	6,207
Woolwell to the George	Balfour Beatty Plc/Aecom Ltd	1,129
Accessible Temporary Homes	Bournmouth Churches Housing Association Ltd (BCHA)	2,550
Single People Accommodation	PATH (Plymouth Access to Housing Ltd)	700
Heat Sourcing in Corporate Properties	SunGift Solar Ltd/Vital Energi Utilities	537
Other Contractual Commitments under £500k	Various	9,189
Total		**35,878**

15.3 Revaluations

The Council revalues a significant proportion of its Property, Plant and Equipment (PPE) on an annual basis and then carries out a rolling programme that ensures that all the remaining property required to be measured at fair value is revalued at least every five years. All valuations are carried out internally under the supervision of A Pope, RICS Registered Valuer, except for the Energy from Waste Plant which is revalued by an external valuer appointed by Devon County Council and the Tamar Bridge and Torpoint Ferry properties which are revalued by an external valuer appointed by Cornwall Council.

Revaluations	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried at historical cost	0	27,269	0	27,269
Valued at Current Value as at:				
31 March 2024	445,909	0	10,423	456,332
31 March 2023	23,065	0	0	23,065
31 March 2022	143,570	0	0	143,570
31 March 2021	3,549	0	0	3,549
31 March 2020	3,304	0	0	3,304
Total Cost of Valuation	**619,397**	**27,269**	**10,423**	**657,089**

15.4 Gain/Loss on Disposal of Non-Current Assets

Assets Written Off Balance Sheet	2022/23	2023/24
	£000	£000
Land and property sales	(24)	17,955
Academy and trust schools	10,412	3,059
Investment properties	0	80
Total	**10,388**	**21,094**

16 Heritage Assets

The Council holds the following types of heritage assets:

Historic Buildings and Monuments

Historic buildings and monuments classified as heritage assets on the balance sheet include Smeaton's Tower and various statues and monuments, which have been recognised at insurance valuations.

The Council has a number of other Heritage Assets that are used significantly for the provision of services and therefore are required to be recognised within Property, Plant and Equipment. These include Mount Edgcumbe House and The Box.

Gold, Silver, Jewellery, Fine Art and World Cultures, Decorative Art and Other Miscellany

The Council's gold, silver, jewellery, fine art and world cultures collections are reported in the balance sheet at insurance valuation, which is based on market values.

The Council's policy for the acquisition, preservation and management of museum assets can be found on The Box website.

All Heritage assets are recognised at insurance valuations, which are reviewed annually and the value of assets are adjusted accordingly.

In 2023/24 we have added two new classes of heritage asset categories due to the recognition of previously unreported assets as a result of a review of the collection that was undertaken following the remodelling of The Box.

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

Heritage Assets	Buildings	Fine Art & World Cultures	Gold, Silver and Jewellery	Natural History, Decorative Art & Other Miscellany	Special Books Collection	Total Assets
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
As at 1 April 2022	3,817	17,109	4,732	0	0	25,658
As at 31 March 2022	**3,817**	**17,109**	**4,732**	**0**	**0**	**25,658**
Cost or Valuation						
As at 1 April 2023	3,817	17,109	4,732	0	0	25,658
Revaluations	0	14,251	0	7,827	3,500	25,578
As at 31 March 2023	**3,817**	**31,360**	**4,732**	**7,827**	**3,500**	**51,236**

17 Investment Properties

17.1 Income, Expenditure and Changes in Fair Value of Investment Properties

Investment properties are properties held solely to earn rentals or for capital appreciation or both. In the main, the Council's investment properties consist of offices, various ground rents (including retail, offices and industrial), industrial estates (including out of town), development sites, leisure (including restaurants, cafes and hotels) and retail (both in and out of town).

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

Amounts Recognised in the Comprehensive Income and Expenditure Statement	2022/23	2023/24
	£000	£000
Rental income from Investment Property	16,797	18,280
Direct operating expenses arising from Investment Property	(10,061)	(11,017)
Net Gain/(Loss)	**6,736**	**7,263**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

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

Analysis of Movement in Investment Properties	2022/23	2023/24
	£000	£000
Balance at 1 April	**271,065**	**238,435**
Additions	61	0
Disposals	0	(80)
Net gains/(losses) from fair value adjustments	(15,198)	(12,946)
Transfers:		
(To)/from Property, Plant and Equipment	(17,493)	(1,685)
Balance at 31 March	**238,435**	**223,724**

17.2 Fair Value Hierarchy for Investment Properties

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2024 are as follows:

Recurring Fair Value Measurements Using	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2024
2023/24	**£000**	**£000**	**£000**	**£000**
Industrial sites	0	62,124	0	62,124
Miscellaneous ground rents	0	5,731	3,935	9,666
Miscellaneous lets	0	21,365	31	21,396
Retail ground rents	0	23,110	0	23,110
Offices	0	6,790	0	6,790
Out of town retail	0	66,412	0	66,412
Out of town businesses	0	33,358	0	33,358
Development and Surplus Land	0	714	116	830
Lodges	0	38	0	38
Total	**0**	**219,642**	**4,082**	**223,724**

There were no transfers between Levels 1 and 2 during the year.

Recurring Fair Value Measurements Using	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2023
2022/23	**£000**	**£000**	**£000**	**£000**
Industrial sites	0	66,211	0	66,211
Miscellaneous ground rents	0	6,462	3,904	10,366
Miscellaneous lets	0	22,965	35	23,000
Retail ground rents	0	24,916	0	24,916
Offices	0	6,950	0	6,950
Out of town retail	0	69,522	0	69,522
Out of town businesses	0	36,557	0	36,557
Development and surplus land	0	812	50	862
Lodges	0	51	0	51
Total	**0**	**234,446**	**3,989**	**238,435**

There were no transfers between Levels 1 and 2 during the year.

17.3 Valuation Techniques Used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The Current Value (Fair Value) for the Investment portfolio has been based on the market approach using comparable evidence from recent property transactions in the Plymouth area and by analysing

other relevant information. Market Conditions are such that similar properties are actively purchased and sold with the level of observable inputs significant. This has led to the properties being categorised at Level 2 in the fair value hierarchy.

In relation to the housing sites, each of the housing sites have been marketed on the open market by Plymouth City Council, with offers received subject to various conditions (including but not limited to planning or category of those specifications). These offers have been adjusted accordingly to reflect the individual conditions.

Significant Unobservable Inputs – Level 3

Assets categorised at Level 3 in the fair value hierarchy have been assessed where there is a significant level or unobservable inputs. Where there is no reasonably available market evidence available in the Plymouth area to determine the Current Value (Fair Value) the Valuer will use considered assumptions such as the potential yields, rental growth and occupancy levels.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

17.4 Reconciliation of Fair Value Measurements (Using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Funding Hierarchy

Investment Properties Categorised within Level 3	31 March 2022	31 March 2023
	£000	£000
Opening Balance	**3,992**	**3,989**
Total gains/(losses) for the period included in the surplus or deficit on the provision of services resulting from changes in fair value	(3)	93
Closing Balance	**3,989**	**4,082**

18 Financial Instruments

18.1 Financial Instruments - Classifications

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

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

The financial assets held by the Council during the year are accounted for under the following three classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
  - cash in hand;
  - bank current and deposit accounts;
  - fixed term deposits and reverse repurchase agreements with banks and building societies;

- loans to other local authorities;
- loans to smaller companies and housing associations;
- certificates of deposit and covered bonds issued by banks and building societies;
- treasury bills and gilts issued by the UK Government;
- loans made for service purposes;
- leases receivables;
- trade receivables for goods and services provided.

- Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category).
- Fair value through profit and loss (all other financial assets) comprising:
  - hedge transactions;
  - pooled funds, equity and property funds managed and held as strategic investments;
  - equity investments held for service purposes;
  - money market funds managed by fund managers;
  - loans where the cash flows are not solely payments of principal and interest;
  - structured deposits with banks and building societies.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised of:

- long-term loans from the Public Works Loan Board;
- short-term loans from other local authorities;
- overdraft;
- lease payables;
- Private Finance Initiative;
- trade payables for goods and services received.

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

Financial Assets	Fair Value Level	Long-Term		Short-Term		Total	
		31 March 23	31 March 24	31 March 23	31 March 24	31 March 23	31 March 24
		£000	£000	£000	£000	£000	£000
At Fair Value Through Profit or Loss:							
Money Market Fund (MMF)	1	0	0	27,620	22,500	27,620	22,500
Pooled funds	1	53,033	52,382	0	0	53,033	52,382
Amortised Cost:							
Investments	1	73	73	0	0	73	73
Hedge transaction *	1	27,072	28,878	0	0	27,072	28,878
Cash and Cash equivalents (less MMF)	1	0	0	2,562	4,498	2,562	4,498
Total Investments		**80,178**	**81,333**	**30,182**	**26,998**	**110,360**	**108,331**
Debtors							
Financial Instruments	1	9,612	10,248	18,279	51,382	27,891	61,630
Non-Financial Instruments	1	0	0	47,311	55,039	47,311	55,039
Total		**89,790**	**91,581**	**95,772**	**133,419**	**185,562**	**225,000**

** Long-term asset while part of an effective hedging arrangement.*

Financial Assets	Fair Value Level	Long-Term		Short-Term		Total	
		31 March 23	31 March 24	31 March 23	31 March 24	31 March 23	31 March 24
		£000	£000	£000	£000	£000	£000
Loans at Amortised Cost:							
PWLB	2	(395,532)	(482,532)	0	0	(395,532)	(482,532)
Market Loans	2	(82,497)	(82,422)	0	0	(82,497)	(82,422)
Other borrowing	2	(6,194)	(6,055)	(80,727)	(93,052)	(86,921)	(99,107)
Total Borrowing		**(484,223)**	**(571,009)**	**(80,727)**	**(93,052)**	**(564,950)**	**(664,061)**
Liabilities at Amortised Cost:							
Other liabilities	2	(108,550)	(103,561)	0	0	(108,550)	(103,561)
Creditors							
Financial Instruments	3	(10,178)	(9,376)	(67,223)	(64,010)	(77,401)	(73,386)
Non-Financial Instruments	3	0	0	(56,735)	(48,428)	(56,735)	(48,428)
Total Financial Liabilities		**(602,951)**	**(683,946)**	**(204,685)**	**(205,490)**	**(807,636)**	**(889,436)**

LOBOs (Local Authority Lender's Option Borrower's Option loans) of £10m have been included in Market Loans but have a call date in the next 12 months. A call date means that the lender has the option to change the interest rate for the remaining period of the loan. The Council then has the option to accept the new rate or redeem.

Financial Assets Comparison to Fair Values

The fair values of the financial assets are equal to their balance sheet values.

Financial Liabilities Comparison to Fair Values

Financial Liabilities	Balance Sheet 31 March 2023	Fair Value 31 March 2023	Balance Sheet 31 March 2024	Fair Value 31 March 2024
	£000	£000	£000	£000
Loans at Amortised Cost:				
PWLB	395,532	253,837	482,532	345,869
LOBO loans	64,497	76,944	64,422	74,854
Other market loans	18,000	16,812	18,000	16,974
Other long-term loans	6,194	6,194	6,055	6,055
Short-term borrowing	80,727	80,727	93,052	93,052
Total Borrowing	**564,950**	**434,514**	**664,061**	**536,804**
PFI and lease liabilities	94,270	75,706	89,974	73,669
Total Liabilities	**659,220**	**510,220**	**754,035**	**610,473**

18.2 Equity Instruments Designated to Fair Value through Profit or Loss

The Council has investments made through the CCLA and other pooled funds. Under IFRS 9 the Code now requires that pooled funds are measured at Fair Value through Profit or Loss. However, to mitigate the impact of the change there is a statutory override for a period of five years meaning that there is no impact on the Council's General Fund.

18.3 Gains and Losses on Financial Instruments

The income, expense, gains and losses recognised in the CIES in relation to financial instruments are made as follows:

Gains & Losses on Financial Instruments	2022/23		2023/24	
	Surplus or Deficit on the Provision of Service	Other Comprehensive Income & Expenditure	Surplus or Deficit on the Provision of Service	Other Comprehensive Income & Expenditure
	£000	£000	£000	£000
Net Gains/Losses on:				
Investment in equity instruments designated at fair value through profit and loss	(5,725)	0	(652)	0
Hedge transaction at fair value through profit and loss *	(1,257)	(13,393)	(3,330)	(2,542)
Interest and Similar Income	**(6,982)**	**(13,393)**	**(3,982)**	**(2,542)**
At fair value through profit or loss	(3,673)	0	(4,475)	0
Amortised cost	(380)	0	(644)	0
Total Interest Revenue	**(4,053)**	**0**	**(5,119)**	**0**
Total Income	**(11,035)**	**(13,393)**	**(9,101)**	**(2,542)**
Interest expense at amortised costs	17,334	0	23,283	0
Total Interest Expense	**17,334**	**0**	**23,283**	**0**
Net (Gain)/Loss for the Year	**6,299**	**(13,393)**	**14,182**	**(2,542)**

** SDPS is cash flows plus accrual; OCI is fair value minus accrual.*

18.4 Financial Instruments – Fair Value

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms'-length transaction. Where liabilities are held as an asset by another party, such as the council's borrowing, the fair value is estimated from the holder's perspective.

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

The fair values of other instruments have been taken at cost value, as the council believes that cost may provide an appropriate estimate of fair value. Cost represents the best estimate of fair value:

a) no significant change in the performance of the investee compared with budget;

b) no significant change in the market for the investee's products, economic environment in which the entity operates;

c) no change in expected performance in matters such as fraud, commercial disputes, litigation, changes in management or strategy.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost.

- The value of Lender's Option Borrower's Option (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;
- Other loans borrowed by the Council have been valued at cost on the basis of that most of the loans are short term loans and/or borrowed from other public sector organisations;
- Shares in limited company have been valued at cost of the investment;
- Interest rate swaps have been valued using the market forward interest rate curve;
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been taken at the same value as the on-going PFI model as this is an estimate of the outstanding liability of this finance and provides an appropriate estimate of fair value;
- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to be approximately the carrying amount given the low interest rate environment and the bad debt provisions already included in the statement of accounts.

Fair values are shown in note 18.1, split by their level in the fair value hierarchy:

- Level 1 fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices;
- Level 2 fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments;
- Level 3 fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

18.5 Nature and Extent of Risks Arising from Financial Instruments

The Council complies with the CIPFA's Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The strategy sets out the parameters for the management of risks associated with Financial Instruments.

Full details of the Council's Treasury Management Strategy can be found on the Council's website.

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

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

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

Credit Risk

Credit Risk arises from deposits with banks and financial institutions as well as credit exposures to the Council's customers.

Asset Type	Credit Risk Management	Estimation of Impairment Loss
Loans to other authorities	Guaranteed by statute.	No allowance required.
Banks and financial institutions	Deposits are restricted in line with Council's approved Treasury Strategy.	No historic or forecast losses.
Loans	All loans subject to internal risk appraisal, where appropriate guarantees and/or security is obtained in event of default.	No historic or forecast losses.
Other Debtors	Debtors are not subject to internal credit ratings and have been grouped for the purposes of calculating expected losses.	Expected credit losses (impairment) estimated based on age and type of debt.

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap, other contracts and equity prices when selecting commercial entities for investment.

A limit of £25m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in building societies there is a smaller limit of £10m applies. The Council also sets limits on investments in certain sectors.

The following table summarises the credit risk exposures of the Council's treasury management portfolio by credit rating and remaining time to maturity:

Credit Rating	31 March 2023		31 March 2024	
	Long-Term	Short-Term	Long-Term	Short-Term
	£000	£000	£000	£000
AAA	0	0	0	0
AA	0	27,620	0	22,500
A+	73	1,125	73	1,295
A	0	0	0	0
A-	0	0	0	0
Unrated	0	0	0	0
Total	**73**	**28,745**	**73**	**23,795**
Credit risk not applicable *	82,372	1,437	81,260	2,603
Total Investments	**82,445**	**30,182**	**81,333**	**26,398**

** Credit Risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.*

The Council's maximum exposure to credit risk in relation to its investments with banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution.

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

The Council does not generally allow credit for customers. After 28 days, recovery procedures are undertaken to recover any outstanding debt. The past due amount can be analysed by age as follows:

Past Due Amounts Analysed by Age	31 March 2023	31 March 2024
	£000	£000
Less than three months	9,958	40,159
Three months to one year	2,862	7,573
More than one year	6,002	7,262
Total	**18,822**	**54,994**

The credit risk inherent in interest rate swaps is managed by the selection of highly credit worthy counterparties and by the requirement for the counterparty to post cash collateral when the valuation exceeds agreed thresholds. £28.600m cash collateral was held at 31 March 2024 (31 March 2023: £28.530).

Liquidity Risk

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

It is however exposed to the risk that it will need to refinance a significant proportion of its short term borrowing at a time of unfavourably high interest rates.

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

Loans Outstanding	31 March 2023	31 March 2024
	£000	£000
Public Works Loan Board	(395,532)	(482,532)
Market debt	(82,497)	(82,422)
Temporary borrowing	(80,727)	(93,052)
Other borrowing	(6,195)	(6,055)
Deferred liability (PFI)	(88,680)	(84,233)
Deferred liability (finance leases)	(1,294)	(1,228)
Other liabilities	(18,575)	(18,100)
Creditors	(123,958)	(112,438)
Long-term creditors	(10,178)	(9,376)
Total	**(807,636)**	**(889,436)**
Less than 1 year	(250,699)	(283,443)
Between 1 and 2 years	(4,892)	(45,959)
Between 2 and 5 years	(29,281)	(92,616)
Between 5 and 10 years	(101,888)	(63,133)
Between 10 and 20 years	(60,817)	(49,913)
Between 20 and 30 years	(13,987)	(9,545)
Between 30 and 40 years	(17,651)	(16,419)
Between 40 and 50 years	(290,203)	(290,220)
Over 50 years	(38,218)	(38,188)
Total	**(807,636)**	**(889,436)**

The Council has £64m (2022/23: £64m) of LOBO loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

£93.052m of short-term borrowing in place at 31 March 2024 was taken under approved authority to meet the Council's capital financing and cash flow requirements to the end of the financial year. These loans can be repaid from cash flow maturing deposits and short term borrowing in 2024/25 if required, thus reducing credit risk.

Market Risk: Interest Rate Risk

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

- borrowings at variable rates – the interest expense will rise;
- borrowings at fixed rates – the fair value of the liabilities will fall;
- investments at variable rates – the interest income will rise;
- investments at fixed rates – the fair value of the assets will fall;

- pay fixed receive variable interest rate swaps – the fair value of the assets will rise.

The Council has £93.052m short-term (less than 12 months) loans so there is an interest rate risk if the rates go up. The Council holds a £75m "pay fixed receive variable" hedge transaction to partly offset this risk. If there is a 0.5% increase in the bank rate it will cost an additional £0.201m per year.

The Council has £64m (2022/23: £64m) of LOBO loans with fixed interest rates and with maturity dates between 2031 and 2078 where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate. Movements in the fair value of the hedge transaction will be reflected in Other Comprehensive Income to the extent that they are an effective hedge, see note 18.6.

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. Interest rate risk is also managed using the hedge transaction, see note 18.6.

Market Risk: Price Risk

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. The fair value of this fund is £20,788. And estimated as the price the council would receive to sell the investment to another market participant on 31 March, based on the fund's published bid price. A 5% fall in commercial property prices would result in a £0,908m charge to the surplus or deficit on the provision of services, which is then transferred to the pooled investment fund adjustment account.

The Council's investments in pooled investment funds is subject to the risk of changing share prices. The risk at 31 March based on fair value of equity investments was £26.462m. A 1% rise in interest rates would result in a £0.218m charge to the surplus or deficit on the provision of services, which is then transferred to the pooled investment fund adjustment account.

18.6 Hedge Accounting

The Council uses hedge transactions to manage its exposure to interest rate risk arising from its portfolio of short-term borrowing (see note 18.5). These provide a hedge against the impact of increasing market interest rates on the cost of short-term borrowing; the margin paid by the Council above the market rate remains unhedged. To avoid volatility on the General Fund, hedge accounting is applied to hedge transactions.

A £75m hedge transaction maturing in 2040 with a strike rate of 0.56% has been designated as a cash flow hedge of the market interest rate risk (as reflected by movement in the SONIA benchmark) in a £75m layer of highly probable forecast short-term loans. The economic relationship between the transaction and the short-term loans is determined at inception and prospectively by comparing their critical terms; i.e. if market rates rise then the Council will pay more on the short-term loans but receive an offsetting amount under the transaction. The hedge ratio is determined as 1:1 since the notional amount on the derivative matches the principal amount of the layer being hedged.

Hedge effectiveness is assessed by comparing the fair value movements of the transaction and the loans. As a practical expedient, a hypothetical derivative is used to model the fair value movements of the forecast loans. Ineffectiveness may arise from timing differences between payment dates and interest rate reset dates on the transaction and loans, or from the impact of credit risk on the valuations, however these are not expected to be significant.

Cash flow hedges of interest rate risk: hedging instruments

	Carrying Amount	Balance Sheet Line Item	Change in Fair Value Used to Recognise Hedge Effectiveness	Nominal Amount
	£000		£000	£000
Interest rate swap	28,878	Derivative financial assets	28,878	75,000

Cash flow hedges of interest rate risk: hedged instruments

	Change in Fair Value Used to Recognise Hedge Effectiveness	Balance in Cash Flow Hedge Reserve for Continuing Hedges	Balance in Cash Flow Hedge Reserve for Discontinuing Hedges	Nominal Amount
	£000	£000	£000	£000
Interest rate swap	(28,210)	(27,415)	0	(75,000)

IFRS7 requires these to be in tabular format despite there being only one hedge using one derivative.

The hedging instrument had a fair value of £28.878m (2022/23: £27.072m) while the fair value of the hypothetical derivative used to measure hedge ineffectiveness was £28.210m (2022/23: £25.434m). The lower figure of £28.210m (2022/23: £27.072m) was therefore transferred to the Cash Flow Hedge Reserve (see note 22.5) and reported in Other Comprehensive Income and £0.669m (2022/23: £1.638m) ineffectiveness was shown in the Surplus or Deficit on the Provision of Services and is being held in the Treasury Management earmarked reserve.

19 Debtors

19.1 Short-Term Debtors

Debtors due within the next 12 months are:

Short-Term Debtors by Category	31 March 2023	31 March 2024
	£000	£000
Central government departments	10,223	8,924
NHS bodies	2,125	2,617
Other local authorities	3,979	5,119
Other entities and individuals	49,263	89,761
Total Short-Term Debtors	**65,590**	**106,421**

19.2 Long-Term Debtors

Debtors due after 12 months are:

Long-Term Debtors by Category	31 March 2023	31 March 2024
	£000	£000
Secured debt	1,086	1,131
Other loans/mortgages	8,526	8,566
Other long-term debts	0	552
Total Long-Term Debtors	**9,612**	**10,249**

19.3 Bad Debt Provision

Analysis of Bad Debt Provision Held	31 March 2023	Provisions Made in Year	Provisions Used in Year	31 March 2024
	£000	£000	£000	£000
General fund	(5,699)	(637)	1,492	(4,844)
Housing benefit overpayments provision	(5,544)	(364)	774	(5,134)
Collection fund	(7,279)	(1,844)	432	(8,691)
Total Provisions for Bad Debt	**(18,522)**	**(2,845)**	**2,698**	**(18,669)**

20 Creditors

20.1 Short-Term Creditors

Creditors payable within the next 12 months are:

Short-Term Creditors by Category	31 March 2023	31 March 2024
	£000	£000
Central government departments	(17,716)	(6,181)
NHS bodies	(1,614)	(483)
Other local authorities	(5,676)	(2,185)
Other entities and individuals	(98,952)	(103,589)
Total Short-Term Creditors	**(123,958)**	**(112,438)**

20.2 Long-Term Creditors

Creditors payable after 12 months are:

Long-Term Creditors by Category	31 March 2023	31 March 2024
	£000	£000
Other local authorities	(10,022)	(9,171)
Other entities and individuals	(156)	(205)
Total Long-Term Creditors	**(10,178)**	**(9,376)**

The amount included within Other Local Authorities relates to a liability to Devon County Council for unfunded pension liabilities in reference to pre Local Government Re-organisation (that is pre 1 April 1998).

20.3 Other Long-Term Liabilities

Analysis of Other Long-Term Liabilities	31 March 2023	31 March 2024
	£000	£000
PFI finance leases	(88,680)	(84,233)
Other finance leases	(1,295)	(1,228)
Cornwall Council - Tamar Bridge and Torpoint Ferry Joint Committee	(18,575)	(18,100)
Total Other Long-Term Liabilities	**(108,550)**	**(103,561)**

21 Provisions

The Council has a number of budget provisions set up to meet known liabilities. The balance on the provisions at year end together with movement in the year is outlined as follows:

Analysis of Provisions Held	31 March 2023	Provisions Made in Year	Provisions Used in Year	Unused Amounts Reversed in Year	31 March 2024
	£000	£000	£000	£000	£000
Insurance provision	(4,294)	(2,169)	1,720	0	(4,743)
Landfill site provision	(6,971)	0	392	55	(6,524)
Other provisions	(6,013)	(2,318)	3,584	0	(4,747)
Total Provisions	**(17,278)**	**(4,487)**	**5,696**	**55**	**(16,014)**

The provisions include short-term provisions of £6.626m (2022/23: £7.594m) and long-term provisions of £9.388m (2022/23: £9.683m).

Details about the main provisions held are as follows:

Insurance Provisions

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

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

Landfill Site Provision

The Council has a provision of £6.523m as at 31 March 2024 to reflect the Council's on-going liability for the closed landfill site at Chelson Meadow. The provision has been calculated on the future maintenance costs over the next 44 years and is reviewed each year to take into account the actual maintenance costs spent in the year.

22 Unusable Reserves

The Council holds a number of unusable reserves in the Balance sheet. Some are required to be held for statutory reasons and some are needed to comply with proper accountancy practice.

Analysis of Reserves	Note	31 March 2023	31 March 2024
		£000	£000
Unusable Reserves:			
Revaluation Reserve	22.1	294,578	329,710
Capital Adjustment Account	22.2	59,674	112,556
Financial Instruments Adjustments Account	22.3	(24,814)	(24,195)
Pensions Reserve	22.4	(37,487)	(73,543)
Cash Flow Hedge Reserve	22.5	24,873	27,414
Collection Fund Adjustment Account	22.6	7,814	2,209
Accumulating Compensated Absences Adjustment Account		(2,042)	(2,130)
Deferred Capital Receipts		285	280
Pooled Investment Fund Adjustment Account		(2,091)	(2,743)
DSG Adjustment Account	28	0	(4,252)
Total Unusable Reserves		**320,790**	**365,306**

22.1 Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of service and the gains are consumed through depreciation, or;
- disposed of and the gains are realised.

The Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

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

Movement in Revaluation Reserve	2022/23	2023/24
	£000	£000
Balance at 1 April	**292,374**	**294,578**
Upward revaluation of assets	23,102	68,561
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the Provision of Services	(7,834)	(5,894)
Surplus or (Deficit) on the Revaluation of Non-current Assets Not Posted to the (Surplus) or Deficit on the Provision of Services	**15,268**	**62,667**
Release of Investment Property Balance	0	(323)
Difference between fair value depreciation and historical cost depreciation	(9,472)	(9,226)
Accumulated gains on assets sold or scrapped	(3,592)	(17,986)
Amount Written Off to the Capital Adjustment Account	**(13,064)**	**(27,535)**
Balance at 31 March	**294,578**	**329,710**

22.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations. These are then charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

The following table shows the transactions posted to the account during the year:

Movement in Capital Adjustment Account	2022/23	2023/24
	£000	£000
Balance at 1 April	**96,394**	**59,675**
Release of Investment Property balance in the Revaluation Reserve	0	323
Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(39,697)	(44,252)
Revaluation losses on Property, Plant and Equipment	(13,965)	19,142
Amortisation of intangible assets	(2)	0
Revenue expenditure funded from capital under statute	(12,479)	(23,193)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(11,182)	(21,280)
Adjusting amounts written out of the Revaluation Reserve	13,063	27,212
Capital Financing Applied in the Year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,643	6,348
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,150	79,044
Amounts Reserved for Future Capital Funding:		
Statutory provision for the financing of capital investment charged against the General Fund (includes TBTF element)	22,031	22,676
Capital expenditure charged against General Fund	704	273
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(15,198)	(12,946)
Other Movement on the CAA in Year:		
Landfill Site Provision	2,703	55
Write down of long-term debtors	(814)	(2,845)
Deferred credit - Energy from Waste	2,324	2,324
Balance at 31 March	**59,675**	**112,556**

22.3 Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for the accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the account to manage premiums paid and discounts received on the early redemption of loans. During the year there was no early redemption of LOBO loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the net expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on Council Taxpayers. In the Council's case this period is the unexpired term that was outstanding on loans when they were redeemed.

Movement in Financial Instruments Adjustment Account	2022/23	2023/24
	£000	£000
Balance at 1 April	**(25,431)**	**(24,814)**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory	544	544
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	73	75
Balance at 31 March	**(24,814)**	**(24,195)**

22.4 Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities to recognise and to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible (i.e. enhanced pensions). The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Movement in Pension Reserve	2022/23	2023/24
	£000	£000
Balance at 1 April	**(383,373)**	**(37,487)**
Opening balance adjustment	0	(324)
Actuarial gains or losses on pensions assets and liabilities	356,018	(42,948)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(27,448)	(12,603)
Employer's pensions contributions and direct payments to pensioners payable in the year	15,838	18,968
(Increase)/decrease in Plymouth's share of next deficit in year of Devon County Council Pension Fund	1,478	851
Balance at 31 March	**(37,487)**	**(73,543)**

22.5 Cash Flow Hedge Reserve

The Cash Flow Hedge Reserve holds the cumulative gains or losses on financial derivatives used in designated and effective cash flow hedges. Also see note 18.6. The following table shows the transactions posted to the account during the year:

Movement in Cash Flow Hedge Reserve	2022/23	2023/24
	£000	£000
Balance at 1 April	**11,480**	**24,873**
Hedge gains/(losses) recognised in Other Comprehensive Income *	14,650	5,871
Amounts reclassified to Financing and Investment Income and Expenditure as interest expense †	(1,257)	(3,330)
Balance at 31 March	**24,873**	**27,414**

* *Includes fair value charge plus cash flows plus accrual.*
† *Includes cash flows plus accrual reversed to Finance Income and Expenditure.*

22.6 Collection Fund Adjustment Account

The collection fund adjustment account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the collection fund.

Collection Fund Adjustment Account	2022/23	2023/24
	£000	£000
Balance at 1 April	**(18,673)**	**7,814**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated from the year in accordance with statutory requirements	26,487	(5,605)
Balance at 31 March	**7,814**	**2,209**

23 Notes to Cash Flow

23.1 Cash Flow Statement – Operating Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

Analysis of Operating Activities	2022/23	2023/24
	£000	£000
Net Surplus/(Deficit) on the Provision of Services	**(53,998)**	**18,842**
Adjust Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements:		
Depreciation	53,663	25,110
Impairment and downward valuations	(9,471)	(9,226)
Adjustment for movements in fair value of investments classified as fair value through profit and loss	(9,337)	(33)
Losses or gains on derecognition of loans and advances in year	3,122	0
Adjustments for effective interest rates	(587)	1,547
(Increase)/decrease in interest creditors	607	(3,337)
(Increase)/decrease in creditors	47,403	(18,631)
(Increase)/decrease in interest and dividend debtors	0	(126)
(Increase)/decrease in debtors	(6,463)	(48,802)
(Increase)/decrease in inventories	(154)	(375)
Pension liability	10,132	(7,216)
Contributions to/(from) Provisions	(3,946)	(1,263)
Carrying amount of short-term and long-term investments sold	11,181	3,294
Movement in Investment Property values	15,198	12,946
Total	**111,348**	**(46,112)**
Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities		
Capital grants credited to surplus/(deficit) on the Provision of Services	(36,708)	(80,211)
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,593)	(1,190)
Total	**(39,301)**	**(81,401)**
Net Cash Flows from Operating Activities	**18,049**	**(108,671)**

The cash flows for operating activities include the following items:

Analysis of Interest Paid and Received	2022/23	2023/24
	£000	£000
Interest received	3,466	6,385
Interest paid	(16,727)	(26,635)

23.2 Cash Flow Statement – Investing Activities

Analysis of Investing Activities	2022/23	2023/24
	£000	£000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(76,019)	(64,721)
Other payments for Investing Activities	(28,531)	(5,642)
Proceeds from the sale of Property, Plant and Equipment, Investment Properties and Intangible Assets	2,596	1,195
Other Receipts from Investing Activities	46,685	37,356
Net Cash Flows from Investing Activities	**(55,269)**	**(31,812)**

23.3 Cash Flow Statement – Financing Activities

Analysis of Financing Activities	2022/23	2023/24
	£000	£000
Cash receipts of short-term and long-term borrowing	157,987	305,209
Billing Authorities - Council Tax and NDR adjustments	(6,237)	11,840
Repayment of short-term and long-term borrowing	(147,485)	(202,958)
Payments for the reduction of a finance lease liability	27,094	27,504
Payments for the reduction of a PFI liability	(4,184)	(4,296)
Net Cash Flows from Financing Activities	**27,175**	**137,299**

23.4 Cash Flow Statement – Cash and Cash Equivalents

Analysis of Cash and Cash Equivalents	2022/23	2023/24
	£000	£000
Cash and bank balances	724	1,890
Cash Investments - regarded as cash equivalents	28,745	23,795
Tamar Bridge and Torpoint Ferry	713	1,313
Net Cash Flows from Cash and Cash Equivalents	**30,182**	**26,998**

24 Pooled Budgets – Integrated Fund

The Council has a pooled budget arrangement with the NHS Devon Integrated Care Board (Devon ICB), under Section 75 of the NHS Act 2006, to enable an integrated approach to commissioning a range of health, public health and social care services to meet the needs of people living in the Plymouth area. The pooled budget is currently hosted by NHS Devon ICB on behalf of the two partners to the agreement, although the two partners keep their own accounts in their separate ledgers. All spend is allocated a lead commissioner. The risk share allows for the Council and NHS Devon ICB to share the risk and reward of over and under-spends, up to the value of 0.5% of the agreed applicable value of the Integrated Fund, is proportional to the value of the contribution of each party to the Integrated Fund and also ensures that the risk to each partner is capped. In 2020/21, because of the global pandemic, and its effects on the costs of health and social care, it was agreed to amend the risk share for the year to

0% risk on both parties to the agreement and this was again agreed for 2021/22, 2022/23 and 2023/24. This decision will be reviewed for 2024/25.

Pooled Budget - Integrated Fund	2022/23	2023/24
	£000	£000
Contribution to the Pooled Budget:		
Plymouth City Council's contribution:		
Pooled	207,690	215,968
Aligned	66,712	69,514
Total Plymouth City Council	**274,402**	**285,482**
NHS Devon ICB's contribution:		
Pooled	176,838	164,583
Aligned	226,057	321,515
Total NHS Devon ICB	**402,895**	**486,098**
Total Combined Integrated Fund	**677,297**	**771,580**
Expenditure Met from the Pooled Budget:		
Plymouth City Council	280,184	300,284
NHS Devon ICB	399,518	491,390
Total Expenditure on Integrated Fund	**679,702**	**791,674**
Net (Surplus)/Deficit on the Integrated Fund During the Year	**2,405**	**20,094**

The figures above include amounts of the Plymouth Better Care Fund, of whom the lead commissioners are:

Plymouth Better Care Fund	2022/23	2023/24
	£000	£000
NHS Devon ICB Lead Commissioner	13,541	14,791
Plymouth City Council Lead Commissioner	11,415	8,601
Total Plymouth Better Care Fund	**24,956**	**23,392**

25 Members' Allowances

Allowances paid to Members of the Council in 2023/24 totalled £1.156m (2022/23: £1.054m). These figures include Members' allowances and expenses. Further information can be found on the Council's website.

26 Officers' Remuneration

26.1 Senior Employees

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

Senior Management Post	Financial Year	Salaries, Fees and Allowances*	Pension Contributions	Total Remuneration	Notes
Salary over £150,000		£	£	£	
Tracey Lee - Chief Executive (Head of Paid Service)	2023/24	184,773	32,356	217,129	Includes election duty payments as the Returning Officer.
	2022/23	177,711	27,879	205,590	Includes election duty payments as the Returning Officer.
Salary over £50,000 but less than £150,000					
Assistant Chief Executive	2023/24	119,975	21,295	141,270	Includes election duty payments as the Deputy Returning Officer.
	2022/23	119,460	19,005	138,465	Includes election duty payments as the Deputy Returning Officer.
Director of Children's Services	2023/24	43,179	8,204	51,383	A new post holder commenced on 27 December 2023.
	2023/24	62,755	11,119	73,874	A new post holder commenced on 31 July 2023 until 26 December 2023 via an Agency. Previous post holder Left the authority on 01 September 2023.
	2022/23	149,368	24,258	173,626	A new post holder commenced on 13 June 2022. Previous post holder left the authority on 30 June 2022.
Director of Public Health	2023/24	118,394	17,025	135,419	
	2022/23	114,390	16,449	130,839	

Senior Management Post	Financial Year	Salaries, Fees and Allowances*	Pension Contributions	Total Remuneration	Notes
		£	£	£	
Director of Resources (Previously Strategic Director of Customer and Corporate Services)	2023/24	47,264	1,768	49,032	Post vacant. Post holder left the authority on 28 April 2023. Includes election duty payments.
	2022/23	132,810	21,960	154,770	Includes election duty payments.
Strategic Director for People	2023/24	141,698	22,327	164,025	Post holder left the authority on 16 February 2024. Includes election duty payments.
	2022/23	143,853	21,782	165,635	A new post holder commenced on 22 October 2022. Previous post holder left the authority on 21 October 2022.
Strategic Director for Place	2023/24	137,394	25,555	162,949	
	2022/23	135,396	22,476	157,872	
Service Director for Children, Young People and Families	2023/24	31,976	0	31,976	A new post holder commenced on 17 July 2023 via an Agency. Previous post holder left the authority on 23 July 2023.
	2022/23	100,227	10,013	110,240	A new post holder commenced on 6 November 2022. Previous post holder left the authority on 5 November 2022.
Service Director for Community Connections	2023/24	82,095	17,053	99,148	Includes election duty payments.
	2022/23	80,809	13,381	94,190	Includes election duty payments.
Service Director for Digital and Customer Services	2023/24	0	0	0	Post vacant.
	2022/23	0	0	0	Post vacant.
Service Director for Economic Development	2023/24	107,257	20,146	127,403	
	2022/23	104,636	17,372	122,008	
Service Director for Education, Participation and Skills	2023/24	13,256	2,519	15,775	A new post holder commenced on 19 February 2024. Post covered via an Agency until 18 January 2024.
	2022/23	63,858	10,600	74,458	A new post holder commenced on 9 January 2023 via an Agency. Previous post holder left the authority on 30 November 2022.

Senior Management Post	Financial Year	Salaries, Fees and Allowances*	Pension Contributions	Total Remuneration	Notes
		£	£	£	
Service Director for Finance (Section 151 Officer)	2023/24	108,299	20,089	128,388	Includes election duty payments.
	2022/23	105,266	17,474	122,740	A new post holder commenced on 4 October 2022. Previous post holder left the authority on 3 October 2022.
Service Director for HR and Organisational Development	2023/24	43,249	8,217	51,466	A new post holder commenced on 16 November 2023.
	2023/24	32,986	4,327	37,313	A new post holder commenced on 23 July 23 until 26 November 23 via an Agency. Previous post holder left the authority on 26 June 2023. Includes election duty payments.
	2022/23	101,002	16,766	117,768	
Service Director for Integrated Commissioning	2023/24	0	0	0	Post vacant.
	2022/23	57,043	9,428	66,471	The post holder vacated this post on 21 October 2022. Includes election duty payments.
Service Director for Strategic Planning and Infrastructure	2023/24	111,369	20,727	132,096	
	2022/23	104,648	17,372	122,020	
Service Director for Street Services	2023/24	104,787	19,444	124,231	Includes election duty payments.
	2022/23	99,562	16,494	116,056	Includes election duty payments.
Head of Legal Services (Monitoring Officer)	2023/24	7,263	1,380	8,643	A new post holder commenced on 4 March 2024.
	2023/24	35,057	6,260	41,317	Post holder left the authority on 6 August 2023.
	2022/23	96,925	16,090	113,015	

* *Salaries, Fees and Allowances exclude immaterial expenses such as travel and subsistence*

Election Fees

The allowances for 2023/24 cover one local election and two local by-elections.

The allowances for 2022/23 cover one local election and one local by-election.

26.2 Remuneration Above £50,000

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

The following numbers do not include the senior management as disclosed in note 26.1.

Remuneration Bandings	2022/23		2023/24	
	Schools	Non-schools	Schools	Non-schools
£50,000 - £54,999	25	57	17	78
£55,000 - £59,999	8	30	11	36
£60,000 - £64,999	9	17	2	18
£65,000 - £69,999	2	7	3	17
£70,000 - £74,999	0	7	4	10
£75,000 - £79,999	2	2	1	3
£80,000 - £84,999	1	0	0	3
£85,000 - £89,999	4	0	2	3
£90,000 - £94,999	0	2	2	1
£95,000 - £99,999	1	0	2	1
£100,000 - £104,999	0	1	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	1	0	0	0
£115,000 - £119,999	0	0	0	0
£120,000 - £124,999	0	0	1	1
Total	**53**	**123**	**45**	**171**

26.3 Employee Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Banding	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
							£000	£000
£00,001 - £20,000	6	2	12	11	18	13	18	102
£20,001 - £40,000	0	1	0	1	0	2	0	58
£40,001 - £60,000	0	1	0	1	0	2	0	89
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	1	0	0	0	1	0	108
Total	**6**	**5**	**12**	**13**	**18**	**18**	**18**	**357**

The Council terminated the contracts of a number of employees in 2023/24, including school based staff, incurring liabilities of £0.357m (2022/23: £0.018m). This includes a sum of £0.126m to the pension fund

in respect of pensions strain payments (for example, of the payments in the £100,001 - £150,000 band, 83% relates to the strain payment). The Council's expenditure on schools in primarily funded from the Dedicated Schools Grant provided by the Department of Education.

27 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

Analysis of External Audit Costs	2022/23	2023/24
	£000	£000
Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor for the year	105	375
Fees payable in respect of other services provided by Grant Thornton LLP during the year	35	40
Total External Auditor Costs	**140**	**415**

28 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). The DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2023. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

Analysis of Dedicated Schools Grant		2023/24		
		Central Expenditure	Individual Schools Budget	Total
Note		£000	£000	£000
A	Final DSG before academy and high needs recoupment			260,211
B	Academy and high needs figure recouped			(180,206)
C	**Total DSG After Academy and High Needs Recoupment**			**80,005**
D	Brought forward from 2022/23			1,174
E	Carry-forward to 2024/25 agreed in advance			0
F	Agreed initial budgeted distribution in 2023/24	37,119	44,061	81,180
G	In year adjustments	0	20	20
H	**Final Budgeted Distribution**	**37,119**	**44,081**	**81,200**
I	Less actual central expenditure	45,211		45,211
J	Less actual ISB deployed to schools		40,241	40,241
K	Plus Local Authority contribution	0	0	0
L	**In-Year Carry-Forward to 2024/25**	**(8,092)**	**3,840**	**(4,252)**
M	Plus: Carry-forward to 2024/25 agreed in advance			0
N	**Carry-Forward to 2024/25**			**0**
O	DSG unusable reserve at the end of 2022/23			0
P	Addition to DSG unusable reserve at the end of 2023/24			(4,252)
Q	**Total of DSG Unusable Reserve at the End of 2023/24**			**(4,252)**
R	**Net DSG Position at the End of 2023/24**			**(4,252)**

A. Final DSG figure before any amount has been recouped from the authority as published March 2024 excluding the adjustment to the 2022/23 DSG for early years made during 2023/24 based on January 2023 numbers or top-up funding.

B. Figure recouped from the authority in 2023/24 by the DfE for the conversion of maintained schools into academies and for high needs payments made by ESFA.

C. Total DSG figure after academy and high needs recoupment for 2023/24, as published March 2024.

D. Figure brought forward from 2022/23.

E. Any amount which the authority decided after consultation with the Schools Forum to carry forward to 2024/25 rather than distribute in 2023/24.

F. Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the Schools Forum.

G. Changes to the initial distribution, for example the final early years block adjustment for 2022/23 made during 2023/24 on the basis of January 2023 numbers. Safety valve payments count as DSG and should be included here if paid in 2023/24.

H. Budgeted distribution of DSG as at the end of the financial year.

I. Actual amount of central expenditure items in 2023/24.

J. Amount of ISB actually distributed to schools.

K. Any contribution from the Local Authority in 2023/24 that will have the effect of substituting for DSG in funding the schools budget.

L. In-year position at end of 2023/24:

- For central expenditure, difference between final budgeted distribution of DSG and actual expenditure.
- For ISB, difference between final budgeted distribution and amount actually deployed to schools, plus any local authority contribution.

M. Plus/minus any carry-forward to 2024/25 already agreed.

N. Total carry-forward on central expenditure plus carry-forward on ISB plus/minus any carry-forward to 2024/25 already agreed.

O. DSG unusable reserve at end of 2022/23.

P. Any addition to DSG unusable reserve in 2023/24 as a result of an in-year deficit in 2023/24.

Q. Total of DSG unusable reserve at end of 2023/24.

R. Net DSG position at the end of 2023/24.

29 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

Credited to Taxation and Non-specific Grant Income and Expenditure	2022/23	2023/24
	£000	£000
Section 31 grants	(12,679)	(18,078)
Capital grants and contributions	(28,686)	(66,268)
PFI credits	(7,053)	(6,948)
Revenue Support Grant	(10,046)	(11,562)
Total	**(58,464)**	**(102,856)**

Grants Credited to Services	2022/23	2023/24
	£000	£000
Benefits Admin Grant	(923)	0
Dedicated Schools Grant and Other Education Grants	(78,311)	(83,575)
Housing Benefit Subsidy	(55,296)	(56,375)
Learning and Skills Council	(2,742)	(2,440)
Improved Better Care Fund	(12,933)	(12,933)
Transforming Social Care Grant	(13,502)	(21,707)
New Homes Bonus	(1,707)	(22)
Public Health Grant	(15,940)	(16,460)
Troubled Families Grant	(1,089)	(1,009)
Arts Council	(769)	(529)
Department of Health Grant	(54)	(242)
COVID-19 Emergency funding	(16)	0
Household Support Grant	(4,590)	(4,590)
Market Sustainability Fair Costs of Care	(867)	(3,007)
New Burdens - Breathing Space	(4,437)	(2,359)
Other Revenue Grants	(28,099)	(33,667)
Total	**(221,275)**	**(238,915)**

29.1 Current Liabilities

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the grantor. The grants are held on the Balance Sheet as a creditor in a Grants Receipts in Advance Account and are split between Revenue and Capital Grant Receipts in Advance as follows:

Revenue Grant Receipts in Advance - Current Liabilities	2022/23	2023/24
	£000	£000
RegEnergy	387	434
Sub-National Transport Body	0	485
Domestic Abuse Bill preparation	640	765
Section 256 Revenue Grant (SARC)	573	608
D2 Grids	436	443
Family Hubs Start For Life	402	182
NIHR Plymouth Health Determinants Research	444	241
Afghan Citizens Resettlement Scheme	416	597
Homes for Ukraine	1,342	1,222
Bus Service Improvement Plan	0	712
Nature Based Solutions	0	518
Syrian Resettlement Programme (SRP)	690	313
Changing Futures	499	324
Other	3,963	2,986
Total	**9,792**	**9,830**

Capital Grant Receipts in Advance - Current Liabilities	2022/23	2023/24
	£000	£000
Department for Transport	40,898	46,324
Department for Environment Food & Rural Affairs	1,478	3,398
Department for Digital, Culture, Media and Sport	3,393	2,063
Football Foundation	921	0
Arts Council	4,175	0
Growth Deal (LEP)	36,180	6,080
Growth & Housing Fund	4,470	0
Get Building Fund (LEP)	7,074	4,087
Department for Levelling Up, Housing & Communities	22,754	23,685
European Regional Development Funding	4,006	0
Department for Business, Energy & Industrial Strategy	4,467	2,452
Department for Education	0	435
Warm Homes Fund	1,060	1,060
Heatnet	0	1,000
NHS England	442	580
Other	1,087	936
Total	**132,405**	**92,100**

29.2 Long-Term Liabilities

Capital Grant Receipts in Advance - Long-Term Liabilities	2022/23	2023/24
	£000	£000
Department for Transport	6,684	7,596
Heritage Lottery Fund	0	12
S106	13,486	11,310
Growth Deal	7,154	4,694
Department for Levelling Up, Homes & Communities	4,800	4,800
Total	**32,124**	**28,412**

30 Related Parties

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

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

Related Party Transactions	Details of Arrangement	2022/23			2023/24		
		Receipts	Payments	Outstanding Balances/ Commitments	Receipts	Payments	Outstanding Balances/ Commitments
Subsidiaries, Associates and Joint Arrangements		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Subsidiaries							
@ Plymouth Care Ltd	@PlymouthCare was incorporated on the 10 June 2021. The company is a wholly owned subsidiary of the Council and was created to help people remain as independent in their own home, by providing support and care services for people.	(13)	498	466	(19)	419	357
Arca (Plymouth) Ltd	Arca is responsible for the administration and management of The Box and St Luke's Church and is a wholly owned by the Plymouth City Council.	(2)	805	(1,076)	(11)	832	0
CATERed Ltd	CATERed is a co-operative trading company which is jointly owned by 67 local schools and Plymouth City Council. Plymouth City Council is the majority shareholder with 51% of the shares.	(205)	1,564	49	(200)	1,254	(131)
Plymouth Active Leisure Ltd	Plymouth Active Leisure Limited was incorporated on the 17 November 2021. The company is a wholly owned subsidiary of the Council and took back responsibility for operating the Council's leisure centres from Sports and Leisure Management LTD (SLM) on the 1 April 2022.	(203)	711	245	(164)	402	21
Plymouth Investment Partnerships Ltd (PIP)	PIP invests in the promotion, assistance and establishment of business to improve the employment and economy of Plymouth and its surrounding area. Plymouth City Council has full ownership of PIP.	(106)	0	0	(84)	0	0

Related Party Transactions	Details of Arrangement	2022/23			2023/24		
		Receipts	Payments	Outstanding Balances/ Commitments	Receipts	Payments	Outstanding Balances/ Commitments
Subsidiaries, Associates and Joint Arrangements - Continued		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Joint Arrangements							
DELT Shared Services Ltd	DELT provide ICT and systems to partners. DELT is jointly and equally controlled and owned by Plymouth City Council and NHS Devon ICB.	(199)	12,046	3,175	(198)	11,298	1,197
Plymouth Science Park Ltd	Plymouth Science Park is a science and technology park for businesses and provide provision of support, advisory and facilities management services. Plymouth Science Park is jointly and equally owned by Plymouth City Council and Plymouth University.	(50)	0	0	(50)	0	0

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of transactions with Government Departments are set out in note 29.

Members

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

The total of members allowances paid in 2023/24 is disclosed in note 25.

Under the Code of Conduct, incorporated in the Council's constitution, Members are required to record in the Register of Members' Interests any financial and other personal interests, together with any gift, hospitality, material benefit or advantage. The register is open to inspection by the public and is available on an individual Member basis on the Council's website. Members who declare an interest do not take part in any discussion or decision relating to grants made or works or services commissioned. Details of all interests declared are recorded in the meetings of relevant meetings.

Members of the Council are nominated to serve on numerous outside bodies some of which either receive funding from the Council or issue levies and precepts to be paid by the Council. When sitting on these bodies Members are expected to act independently and not to represent the views of the Council.

Senior Officers

Under the Employees' Code of Conduct, officers are required to declare potential conflicts of interest arising from employment arrangements together with gifts or hospitality and offers thereof and, under Section 117 of the 1972 Local Government Act, contractual arrangements where there is a conflict of interest whether it be by direct or indirect involvement. Most professional bodies also have codes of professional conduct to which members of those bodies are expected to adhere. During the financial year 2023-24 seventeen officers were company directors or board members on behalf of the Council.

Other Public Bodies

The Council has a pooled budget arrangement with NHS Devon Integrated Care Board (NHS Devon ICB) for the provision of care services. Further details of the arrangement, the transactions and balances outstanding are detailed in note 24.

Other Interests in Companies

There are a number of companies which are also linked to the Council which fall under the definition of an assisted organisation. This includes the provision of financial assistance to voluntary organisations. However they are not considered material in financial terms. Examples include Access Plymouth Ltd, Plymouth Citizens Advice Bureau and the Shekinah Mission (Plymouth) Limited. Independent Futures and the Plymouth City Centre Company Limited are examples of larger organisations supported by the Council.

- **DELT Shared Services Limited**

  DELT was launched 1 October 2014 and is a publicly owned private limited company (09098450). It was set up to deliver ICT services and systems to its partners; Plymouth City Council and NHS Devon ICB.

  DELT is jointly and equally controlled by its partners with both partners carrying equal full voting rights. The collaborative arrangement is classed as a joint venture.

  For more information about DELT and its financial performance, please visit the DELT Services website.

- **CATER[ed] Limited**

  CATER[ed] is a cooperative trading company (09355912) which is jointly owned by Plymouth City Council and 67 local schools, providing all school meals in the city. CATER[ed] is 49 per cent owned by schools and 51 per cent by the Council and serves almost 2.5 million meals to Plymouth school children every year.

  Plymouth City Council is the majority shareholder of CATER[ed] with 51 per cent of shares and voting rights allocated one vote per share. The collaborative arrangement is classed as a subsidiary of the Council.

  For more information about CATER[ed] and its financial performance, please visit the CATER[ed] website.

- **Arca (Plymouth) Limited**

  Arca (Plymouth) Ltd (12187662) is a wholly owned subsidiary of the Council which is responsible for the administration and management of The Box and St Luke's Church which opened in September 2020.

- **@PlymouthCare Limited**

  @PlymouthCare (13449128) was incorporated on the 10 June 2021. The company is a wholly owned subsidiary of the Council and was created to help people remain as independent in their own home, by providing support and care services for people.

- **Plymouth Active Leisure Limited**

  Plymouth Active Leisure Limited (13749536) was incorporated on the 17 November 2021. The company is a wholly owned subsidiary of the Council and took back responsibility for operating the Council's leisure centres from Sports and Leisure Management LTD (SLM) on the 1 April 2022.

Joint Committees

The Council is a member of a couple of joint committees where local authorities have joined together to provide a service. These are listed as follows:

- **Devon Audit Partnership (DAP)**

  From April 2009 Plymouth City Council set up a Joint Committee with Devon County Council and Torbay Council for the provision of a shared internal audit service. The service is also able to provide audit services to other organisations. This is a shared service arrangement and is constituted under section 20 of the Local Government Act 2000.

  Devon County Council is the host Council for the Joint Committee with all staff now employed by Devon County Council. Assets and Liabilities of the Joint Committee are split on an agreed basis (number of FTE's on inception of the Committee); Plymouth's share equates to 27 per cent and its contribution to the partnership for 2023/24 was £0.324m (2022/23: £0.324m). The Council also pays DAP for Counter Fraud Services at a cost of £0.228m for 2023-24 (£0.228m for 2022-23).

- **South West Devon Waste Disposal Partnership**

  Plymouth City Council, Torbay Council and Devon County Council have jointly contracted a PFI project for an Energy from Waste Plant (based in Plymouth) to dispose of residual waste collected by the three Councils. As part of the Joint Working Agreement between the three Councils the South West Devon Waste Partnership Joint Committee has been established to facilitate the procurement and subsequent operation

and management of the facilities (by the selected contractor). The Plant became operational in April 2015.

Plymouth is the Lead Authority with the expenditure associated with this project is incurred and then allocated on an estimated tonnage share basis to Torbay and Devon County Councils. Plymouth's share of the expenditure is reflected within the cost of services on the Comprehensive Income and Expenditure Statement.

For more information about external bodies which Plymouth City Council have an interest in please visit the Council's website.

31 Capital Expenditure and Capital Financing

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

Capital Financing Requirements	2022/23	2023/24
	£000	£000
Opening Capital Financing Requirement 1 April	**831,601**	**878,636**
Capital Investment		
Property, Plant and Equipment	75,602	71,130
Investment Properties	(5)	0
Assets Held for Sale	112	25
Revenue Expenditure Funded from Capital Under Statute	12,480	23,193
Other capital expenditure	130	734
Total	**88,319**	**95,082**
Sources of Finance		
Capital receipts	(2,643)	(6,348)
Other movements in Long-Term Debtors	(3,086)	636
Grants and contributions applied in year	(13,150)	(79,044)
Revenue and other funds	(704)	(273)
Minimum Revenue Provision	(22,088)	(22,676)
Use of landfill provision	387	392
Total	**(41,284)**	**(107,313)**
Closing Capital Financing Requirement 31 March	**878,636**	**866,405**
Explanation of Movement in Year		
Increase in underlying need to borrow	45,192	46,589
Increase in underlying need to borrow resulting from other changes in capital financing requirement	1,843	(58,820)
Increase/Decrease in Capital Financing Requirement	**47,035**	**(12,231)**

32 Leases

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

Operating Leases - Authority as a Lessor	31 March 2023	31 March 2024
	£000	£000
Not later than one year	17,527	17,672
Later than one year and not later than five years	58,318	57,761
Later than five years	213,743	253,951
Total Operating Leases	**289,588**	**329,384**

33 Private Finance Initiatives (PFI) and Similar Contracts

33.1 Schools PFI

The Council makes an agreed payment each year, part of which is subject to an annual inflation increase, and can be reduced if the contractor fails to meet availability and performance standards in any one year but which is otherwise fixed. A total payment of £6.332m was made in 2023/24 (2022/23: £5.953m). Payments remaining to be made under the PFI contract at 31 March 2024, excluding any estimation of inflation and availability/performance deductions, are as follows:

PFI Outstanding Liabilities	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Total payments to operator in 2023/24	3,133	1,413	1,786	6,332
Payable in 2024/25	3,376	1,409	1,663	6,448
Payable within two to five years	14,654	6,660	5,352	26,666
Payable within six to ten years	17,552	10,968	2,696	31,216
Total	**35,582**	**19,037**	**9,711**	**64,330**

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

Movement in PFI Liability	2022/23	2023/24
	£000	£000
Balance outstanding 1 April	21,754	20,449
Payments during the year	(1,305)	(1,413)
Balance Outstanding 31 March	**20,449**	**19,036**

The Council has secured PFI credits to the value of £53m, to which interest is added resulting in total Government support of £105.871m over the contract period, and this together with an annual contributions from the Council and the schools which will be used to meet the running costs of the contract, including the loan repayments.

The PFI credits will be paid to the Council at a rate of £3.983m per annum. Spend to be incurred during the contract will vary from year to year as lifecycle works are undertaken. The Council transfers any surplus resources for the PFI scheme to a PFI reserve to match commitments that will be incurred in future years.

33.2 South West Devon (SWD) Energy from Waste (EfW) Partnership

2015/16 was the first year of operation of the EfW public/private service concession arrangement whereby the SWD local authority partnership granted the right to MVV Umwelt (MVVU), the operator, to treat and render inert waste that otherwise would have been disposed of in landfill sites. The SWD partnership comprising Plymouth City Council, Devon County Council and Torbay Council appointed MVVU under a fixed price contract to finance, construct and design the 245,000 tonne capacity facility and to maintain it to a minimum acceptable condition over a 50 year term.

PFI Outstanding Liabilities	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Total payments to operator in 2023/24	4,237	498	3,542	8,277
Payable in 2024/25	4,241	716	3,480	8,437
Payable within two to five years	20,113	2,837	13,225	36,175
Payable within six to ten years	26,767	9,112	13,654	49,533
Payable within eleven to fifteen years	31,228	17,187	7,141	55,556
Payable within sixteen to twenty years	5,277	2,612	179	8,068
Total	**87,626**	**32,464**	**37,679**	**157,769**

The EfW facility is located on MOD land at Camel's Head, North Yard in Devonport Dockyard, Plymouth. The SWD partnership specifies the activities offered by the facility, the opening hours and the expected minimum standard of service to be provided by the operator. MVVU is required to receive all the residual waste from the defined area of the local authority partnership for which the councils are obliged to pay a fixed gate fee based on a guaranteed minimum tonnage of waste, with an additional charge for any extra waste delivered by the councils over and above the contractual waste.

Movement in PFI Liability	2022/23 Plymouth Share	2022/23 Deferred Income	2023/24 Plymouth Share	2023/24 Deferred Income
	£000	£000	£000	£000
Balance outstanding 1 April	33,462	41,826	32,964	39,502
Payments during the year	(499)	(2,324)	(498)	(2,324)
Balance Outstanding 31 March	**32,963**	**39,502**	**32,466**	**37,178**

Under a separate 25 year agreement between the operator and the MOD, MVVU processes the waste to provide environmentally sustainable heat and electricity to HM Naval Base Devonport. Power is sold at a capped, index linked, guaranteed base price, with any surplus electricity being exported to the National Grid based on a long-term Power Purchase Agreement (PPA) to a company within the MVV group.

The SWD partnership receives 50% of the income earned by EVVU from any excess waste it processes or any excess energy it supplies to third parties. EMVU 3rd party revenues are unrestricted and the SWD partnership is obliged to compensate the operator for any loss of third party income should the councils exceed their contractual maximum tonnage.

Income and expenditure, assets and liabilities are recorded in each of Plymouth City Council, Devon County Council and Torbay Council's Statements of Accounts respectively in the ratio 48:35:17. Plymouth City Council's share of the total construction costs of £195.324m is carried at depreciated replacement cost in its balance sheet as detailed in note 15.1 (Property, Plant and Equipment) together with a corresponding liability.

34 Pensions

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

34.1 Pension Scheme Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension scheme administered by Capita Teachers Pensions on behalf of the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the cost by making contributions based on a percentage of member's pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2023/24, Plymouth City Council paid £4.624m to Teachers' Pensions in respect of teachers' retirement benefits (2022/23: £3.535m). There were no contributions remaining payable at the year-end. In 2023/24 the minimum member contribution was 7.4 per cent of salary, the maximum was 11.7 per cent.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 34.2.

34.2 Defined Benefit Pension Schemes

Local Government Pension Scheme (LGPS)

Plymouth City Council and Tamar Bridge and Torpoint Ferry Joint Committee participate in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme with benefits earned up to 31 March 14 being linked to final salary. Benefits earned after 31 March 14 are based on Career Average Revalued Earnings (CARE). The Plymouth City Council scheme is administered by Devon County Council, however, the Joint Committee Scheme is administered by Cornwall Council and so separate notes have been included to represent Plymouth City Council's 50 per cent interest.

As a result of the High Court's recent Lloyds ruling on the equalisation of Guaranteed Minimum Pension (GMP), a number of pension schemes have made adjustments to accounting disclosures. On 23 March 2021, the Government published the outcome to its GMP indexation consultation, concluding that all public service pension schemes, including LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April

2016. This outcome is consistent with the approach adopted by the actuary and there are no adjustments to be made to the value placed on liabilities.

The McCloud/Sargeant cases relate to age discrimination within the Judicial and Fire Pension Schemes respectively. Regulations in respect of the McCloud and Sargeant judgements came into force on 1 October 2023. The estimated cost of the impact of the McCloud/Sargeant judgement was incorporated into the pension notes as at 31 March 2022, any changes to these costs in 2023/24 are not expected to be material.

PENSION INFORMATION FOR THE PLYMOUTH CITY COUNCIL (PCC) SCHEME

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the surplus/deficit on continuing services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, and the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the CIES and the General Fund Balance via the MiRS during the year:

Comprehensive Income and Expenditure Statement	2022/23	2023/24
	£000	£000
Cost of Services		
Service cost comprising:		
current service cost	24,980	13,748
past service cost	1	119
(gain)/loss from settlements	(755)	(261)
Financing and Investment Income and Expenditure		
Net interest expense	1,670	(2,069)
Other Operating Expenditure		
Administration expenses	556	571
Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services	**26,452**	**12,108**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
return on plan assets (excluding the amount included in the net interest expense)	47,049	(56,767)
actuarial gains and losses arising on changes in demographic assumptions	0	(12,778)
actuarial gains and losses arising on changes in financial assumptions	(503,150)	(19,142)
experience gain/(loss) on defined benefit obligation	105,092	2,453
changes in effect of asset ceiling	0	129,924
Total Premeasurements Recognised in the Comprehensive Income and Expenditure Statement	**(351,009)**	**43,690**
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**(324,557)**	**55,798**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(26,452)	(12,108)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:		
employers' contribution payable to the scheme	15,382	18,464
retirement benefits payable to pensioners	3,075	3,260
adjustment re: net increase/(decrease) per LGR pension liability	1,478	851

34.3 Assets and Liabilities in Relation to Post-Employment Benefits (PCC)

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

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

2023/24	Scheme Assets	Pension Obligations	Effect of Asset Ceiling	Net Pensions (Liability) or Asset
	£000	£000	£000	£000
Opening balance at 1 April	**891,135**	**(918,063)**	**0**	**(26,928)**
Current service cost	0	(13,748)	0	(13,748)
Employee contributions	6,701	(6,701)	0	0
Past service cost and gains/losses on settlements	(1,796)	1,938	0	142
Interest Income and Expenses	45,655	(43,586)	0	2,069
Admin expenses	(571)	0	0	(571)
Remeasurements:				
actuarial gains/losses arising from changes in demographic assumptions	0	12,778	0	12,778
actuarial gains/losses arising from changes in financial assumptions	0	19,142	0	19,142
other actuarial gains and losses	56,767	(2,453)	0	54,314
change on the effect of the assets ceiling	0	0	(129,924)	(129,924)
Council employers contribution	18,464	0	0	18,464
Retirement grants and pensions	(41,258)	41,258	0	0
Closing Balance at 31 March	**975,097**	**(909,435)**	**(129,924)**	**(64,262)**

2022/23	Scheme Assets	Pension Obligations	Effect of Asset Ceiling	Net Pensions (Liability) or Asset
	£000	£000	£000	£000
Opening balance at 1 April	**920,884**	**(1,287,751)**	**0**	**(366,867)**
Current service cost	0	(24,980)	0	(24,980)
Employee contributions	6,409	(6,409)	0	0
Past service cost and gains/losses on settlements	(2,006)	2,760	0	754
Interest Income and Expenses	34,410	(36,080)	0	(1,670)
Admin expenses	(556)	0	0	(556)
Remeasurements:				
actuarial gains/losses arising from changes in financial assumptions	0	503,150	0	503,150
other actuarial gains and losses	(47,049)	(105,092)	0	(152,141)
Council employers contribution	15,382	0	0	15,382
Retirement grants and pensions	(36,339)	36,339	0	0
Closing Balance at 31 March	**891,135**	**(918,063)**	**0**	**(26,928)**

The effect of the asset ceiling has been determined by the Scheme's actuaries on the basis of the limitation on the Council's ability to recover the full economic benefit of its assets through reductions in future employer's contributions because of the minimum funding requirement imposed on it by the funding strategy for the Scheme in place at 31 March 2024. Under this strategy, the Council has an obligation to fund a deficit of £64.262m.

The Scheme actuaries have assessed the Council's estimated future service costs less the estimated minimum funding requirement contributions to establish the economic benefit that is available to the Council. The net pensions asset has therefore been adjusted by this effect of the asset ceiling.

34.4 Scheme History (PCC)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £64.262m is shown as a negative balance and therefore has an impact on the net worth of the Council as recorded in the Balance Sheet. However the negative balance that arises measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2025 is £18.773m.

34.5 Basis for Estimating Assets and Liabilities (PCC)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2024.

Basis for Estimating Assets and Liabilities	2022/23	2023/24
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	21.8	21.5
women	22.9	22.7
Longevity at 65 for future pensioners:		
men	23.1	22.8
women	24.4	24.1
Rate of inflation (CPI)	2.95%	2.90%
Rate of increase in salaries	3.95%	3.90%
Rate of increase in pensions	2.95%	2.90%
Rate for discounting scheme liabilities	4.80%	4.90%

Impact on the Defined Benefit Obligation in the Scheme	Decrease in Assumption	No Change	Increase in Assumption
	£000	£000	£000
Longevity (increase or decrease in 1 year)	875,541	909,435	944,797
Rate of increase in salaries (increase or decrease by 0.1%)	908,503	909,435	910,374
Rate of increase in pensions (increase or decrease by 0.1%)	896,692	909,435	922,490
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	923,173	909,435	896,030

34.6 Total Assets (PCC)

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

Categories by Proportion of the Total Assets Held	2022/23	2023/24
	%	%
Equities	60	56
Gilts	0	0
Property	18	18
Cash	1	2
Other investments	21	24
Total	**100**	**100**

34.7 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

Pension Assets and Liabilities Recognised in the Balance Sheet	2022/23	2023/24
	£000	£000
Present value of the defined benefit obligation	892,179	885,224
Fair value of plan assets	(891,135)	(975,097)
Net Liability	**1,044**	**(89,873)**
Other movements in the liability	25,884	24,211
Impact of Asset Ceiling	0	129,924
Net Liability Arising from Defined Benefit Obligation	**26,928**	**64,262**

PENSION INFORMATION FOR TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE (TBTF)

34.8 Transactions in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement (TBTF)

Comprehensive Income and Expenditure Statement	2022/23	2023/24
	£000	£000
Cost of Services		
Service cost	856	455
Financing and Investment Income and Expenditure		
Net interest expense	140	40
Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services	**996**	**495**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
return on plan assets (excluding the amount included in the net interest expense)	99	(248)
actuarial gains and losses arising on changes in demographic assumptions	(122)	(71)
actuarial gains and losses arising on changes in financial assumptions	(5,920)	(800)
experience gain/(loss) on defined benefit obligation	934	376
other actuarial gains/(losses) on assets	0	
Total Premeasurements Recognised in the Comprehensive Income and Expenditure Statement	**(5,009)**	**(743)**
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**(4,013)**	**(248)**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(996)	(495)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:		
Employers' contribution payable to the scheme	456	504

34.9 Assets and Liabilities in Relation to Post-Employment Benefits (TBTF)

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2022/23	2023/24
	£000	£000
Opening Balance at 1 April	**(16,183)**	**(12,110)**
Current service cost	(856)	(455)
Past service cost	0	0
Interest cost	(445)	(576)
Contributions from scheme participants	(124)	(143)
Re-measurement (gain) and losses:		
actuarial gains/losses arising from changes in demographic assumptions	122	71
actuarial gains/losses arising from changes in financial assumptions	5,920	799
experience loss/(gain) on defined benefit obligation	(934)	(376)
Benefits paid	390	589
Closing Present Value of Liabilities	**(12,110)**	**(12,201)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2022/23	2023/24
	£000	£000
Opening fair value of scheme assets	**11,178**	**11,573**
Adjustment to opening balance	0	(324)
Interest income	305	536
Re-measurement gain/(loss):		
the return on plan assets, excluding the amount included in the net interest expense	(100)	248
Contributions from employer	456	504
Contributions from employees into the scheme	124	143
Benefits paid	(390)	(589)
Closing Fair Value of Scheme Assets	**11,573**	**12,091**
Closing Balance at 31 March	**(537)**	**(110)**

The liabilities show the underlying commitments that the Joint Committee has to pay in the long run to pay post-employment (retirement) benefits. The total liability of £0.110m has an impact on the net worth of the Council as recorded in the Balance Sheet. However the negative balance that arises measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

The total contributions expected to be made to the Local Government Pension Scheme via the Joint Committee in the year to 31 March 2025 is £0.503m.

34.10 Scheme History (TBTF)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates,

gender, salary levels, investment returns, interest rates, etc. The Cornwall Council pension scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2024.

34.11 Basis for Estimating Assets and Liabilities (TBTF)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2024.

Basis for Estimating Assets and Liabilities	2022/23	2023/24
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	20.2	19.6
women	22.4	21.7
Longevity at 65 for future pensioners:		
men	22.6	21.5
women	26.2	25.3
Rate of increase in salaries	3.00%	2.75%
Rate of increase in pensions	3.00%	2.75%
Rate for discounting scheme liabilities	4.75%	4.85%

35 Contingent Assets and Liabilities

35.1 Contingent Assets

The Council has the following contingent assets to report:

Plymouth Airport

Plymouth City Airport is let on 150 year lease from 2004. The Council's Lessee served notice of its intention to close the airport in December 2010 because of continuing trading losses. On 23 August 2011 the Council's Cabinet accepted the notice of non-viability from the Lessee following receipt of three independent reviews of the airport business and options for its financial viability. The Airport closed for business in December 2011. The Council's freehold and the Lessee's leasehold interest are due to be merged and the former Lessee will then be responsible for obtaining planning permission and marketing the site. Any eventual net land disposals proceeds will be divided between the Council and the former Lessee 75%/25% less certain deductions. However, the timing and amount of any such receipts, if any, is uncertain; and is subject to a review of strategic policies that are applicable to the site. In February 2024 the Council served Section 146 Notices on Plymouth City Airport Ltd (PCAL) as it considers that PCAL is in breach of the lease terms.

35.2 Contingent Liabilities

The Council has no known material contingent liabilities to report.

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2024

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to Local Authorities and the Government of Council Tax and Non-Domestic Rates.

2022/23				Note	2023/24		
Business Rates	Council Tax	Total			Business Rates	Council Tax	Total
£000	£000	£000	**Income**		£000	£000	£000
0	(151,981)	(151,981)	Council tax receivable	1	0	(160,460)	(160,460)
(80,732)	0	(80,732)	Business rates receivable	2	(86,183)	0	(86,183)
(80,732)	**(151,981)**	**(232,713)**			**(86,183)**	**(160,460)**	**(246,643)**
			Expenditure				
			Apportionment of Previous Year's Surplus/ (Deficit)				
(21,146)	0	(21,146)	Central Government		4,748	0	4,748
(20,723)	(895)	(21,618)	Plymouth City Council		4,653	1,473	6,126
0	(127)	(127)	Devon and Cornwall Police and Crime Commissioner		0	222	222
(423)	(54)	(477)	Devon and Somerset Fire and Rescue Service		95	84	179
(42,292)	**(1,076)**	**(43,368)**			**9,496**	**1,779**	**11,275**
			Precepts, Demands and Shares				
38,443	0	38,443	Central Government		43,590	0	43,590
37,674	123,287	160,961	Plymouth City Council		42,719	131,300	174,019
0	18,204	18,204	Devon and Cornwall Police and Crime Commissioner		0	19,588	19,588
769	6,777	7,546	Devon and Somerset Fire and Rescue Service		872	7,249	8,121
76,886	**148,268**	**225,154**			**87,181**	**158,137**	**245,318**
			Charges to the Collection Fund				
209	0	209	Renewable Energy Disregard		233	0	233
181	669	850	Write offs of uncollectable amounts		133	443	576
36	274	310	Increase/(Decrease) in Bad Debt Provision		213	1,565	1,778
(2,244)	0	(2,244)	Increase/(Decrease) in Provision for Appeals		(2,584)	0	(2,584)
0	0	0	Interest paid on refunds to ratepayers		80	0	80
308	0	308	Cost of collection allowance		306	0	306
(1,510)	**943**	**(567)**			**(1,619)**	**2,008**	**389**
(47,648)	**(3,846)**	**(51,494)**	**(Surplus)/Deficit for the Year**		**8,875**	**1,464**	**10,339**
			Collection Fund Balance				
39,265	(690)	38,575	Balance as at 1 April		(8,383)	(4,536)	(12,919)
(47,648)	(3,846)	(51,494)	(Surplus)/Deficit for the year (as above)		8,875	1,464	10,339
(8,383)	**(4,536)**	**(12,919)**	**Balance as at 31 March**		**492**	**(3,072)**	**(2,580)**
			Allocated to:				
(4,191)	0	(4,191)	Central Government		246	0	246
(4,108)	(3,762)	(7,870)	Plymouth City Council		241	(2,551)	(2,310)
0	(563)	(563)	Devon and Cornwall Police and Crime Commissioner		0	(381)	(381)
(84)	(211)	(295)	Devon and Somerset Fire and Rescue Service		5	(140)	(135)
(8,383)	**(4,536)**	**(12,919)**	**Total Allocated**		**492**	**(3,072)**	**(2,580)**

NOTES TO THE COLLECTION FUND

1 Council Tax Income

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based on an estimated 1 April 1991 value for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority and the City Council for the forthcoming year and dividing this by the Council Tax base. The tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and estimated collection rates: 74,891 in 2023/24 (2022/23: 73,830).

The basic amount of Council Tax for a Band D property (2023/24: £2,111.56) is multiplied by the proportion specified for the particular band to give an individual amount due. The calculation of the Council Tax Base is shown in the following table:

Band	No of Properties Before Discounts	No of Properties After Discounts	Band D Equivalents	Estimated Collection Rates	Adjusted Band D Equivalents
A	45,035	30,027	20,008	97.5%	19,508
B	31,882	25,930	20,168	97.5%	19,664
C	22,578	20,100	17,867	97.5%	17,420
D	9,520	8,770	8,770	97.5%	8,551
E	4,950	4,681	5,721	97.5%	5,578
F	1,829	1,744	2,519	97.5%	2,456
G	560	531	885	97.5%	863
H	29	22	43	97.5%	42
	116,383	**91,805**	**75,981**		**74,082**
Adjustment for MOD properties					809
Tax Base Totals			**75,981**		**74,891**

The Council Tax Base was calculated at the time the 2023/24 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 £158.137m (£2,111.56 x 74,891). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £160.460m (2022/23: £151.981m).

2 Income from Business Ratepayers

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government, this was frozen at 51.2p for 2023/24 at the same level as the rate for 2022/23, the rate for properties in receipt of Small Business Rate Relief was kept at 49.9p.

The administration of NDR is governed by the Business Rates Retention Scheme which was introduced in 2013/14. This aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility of the NDR tax base and non-collection of rates due. In the case of Plymouth, the retained proportion of NDR income is 49 per cent. The remainder is distributed to preceptors: 1 per cent to the Devon and Somerset Fire and Rescue Authority (DSFRA) and 50 per cent to Central Government.

The business rates shares payable for 2023/24 were estimated before the start of the financial year as £43.590m to Central Government, £0.872m to DSFRA and £42.719m to Plymouth City Council.

These sums have been paid during 2023/24 and charged to the Collection Fund in year and include the previous year's surplus.

When the scheme was introduced the Government set a baseline funding level (based on local demand for services) for each authority and applied the system of tariffs and top-ups to ensure all authorities receive their baseline amount. In 2023/24 Plymouth had a baseline amount of £60.518m and received a top-up of £15.077m which was charged to the General Fund and included in note 14.

In addition to the top-up and tariffs, a safety net figure is calculated by Central Government. This mechanism is designed to protect local authorities from large fluctuation in their business rates income. The safety net threshold for Plymouth is £55.979m. As our adjusted retained income is above this level no safety net payment was due to Plymouth for 2023/24.

Section 31 Grant funding for Business Rate reliefs awarded by Central Government in 2023/24 was £17.992m based on the original estimates made in January 2023. Under the rates retention scheme local authorities became liable for their share of the liability arising from the in-year and backdated impact of successful business rate appeals. Based on the analyses of previous year trends and the list of outstanding appeals provided by the VOA as at 31 March 2024 the Council included a provision of £9.688m.

For 2023/24, the total non-domestic rateable value at the end of the year was £241.199m (2022/23: £227.710m).

3 Precepts and Demands

3.1 Council Tax

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

3.2 Non-Domestic Rates

As described previously in note 2, the administration of NDR is governed by the Business Rate Retention Scheme.

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

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Audit and Governance Committee

Date of meeting:	23 July 2024
Title of Report:	**Treasury Management Outturn Report 2023/24**
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Service Director for Finance)
Author:	Wendy Eldridge
Contact Email:	Wendy.eldridge@plymouth.gov.uk
Your Reference:	TM 2023/24 Outturn
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

In order to comply with the Code of Practice for Treasury Management, the Council is required to formally report on its treasury management activities for the year, providing information on the progress and outcomes against the Treasury Management Strategy. This report covers the Treasury Management activities for financial year 2023/24 including the final position on the statutory Prudential Indicators.

This report:

a) is prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
b) confirms capital financing, borrowing, debt rescheduling and investment transactions for the year 2023/24;
c) provides an update on the risk inherent in the portfolio and outlines actions taken by the Council during the year to minimise risk;
d) gives details of the outturn position on Treasury Management transactions in 2023/24;

Details compliance with treasury limits and Prudential Indicators (PIs) and the outlines the final position on the PI's for the year. Noting that compliance to level of fixed rate exposure for borrowing was exceeded to mitigate against interest rate risk from temporary borrowing with other local authorities.

Recommendations and Reasons

1. To note the Treasury Management Outturn Report 2023/24 and recommend it to City Council for approval.

   This is to comply with the CIPFA Code of Practice and discharge our statutory requirement

Alternative options considered and rejected

1. None – The Council are required to report on the treasury management activities for the year.

Relevance to the Corporate Plan and/or the Plymouth Plan

Effective financial management is fundamental to the delivery of corporate improvement priorities. Treasury Management activity has a significant impact on the Council's activity both in revenue budget terms and capital investment and is a key factor in facilitating the delivery against a number of corporate priorities.

Implications for the Medium Term Financial Plan and Resource Implications:
For the medium and longer term the Council is facing significant pressures due to the national economic situation, which has led to a reduction in resources for local authorities over the latest spending period. Effective Treasury Management will be essential in ensuring the Council's cash flows are used to effectively support the challenges ahead

Financial Risks

There is an inherent risk to any Treasury Management activity. The Council continues to manage this risk by ensuring all investments are undertaken in accordance with the approved investment strategy, and keeping the counterparty list under constant review

Carbon Footprint (Environmental) Implications:

In 2023/24 the Council maintained a £5m investment into the Public Sector Social Impact Fund to invest in carbon reduction projects.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:
** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*
None

Appendices
**Add rows as required to box below*

Ref.	Title of Appendix	**Exemption Paragraph Number** (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
		1	**2**	**3**	**4**	**5**	**6**	**7**
A	Annual Report on Treasury Management Activities for 2023/24							

Background papers:
**Add rows as required to box below*

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

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

Treasury Management Strategy 2023/24 report to Council 27 February 2023							

Sign off:

Fin	**CH. 24.25 .015**	Leg	LS/00003609/9/LB/12/07/24		Click here to enter text.	HR	Click here to enter text.	Assets	Click here to enter text.	Strat Proc	Click here to enter text.
Originating Senior Leadership Team member: David Northey											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 11/07/2024 LS/00003609/9/LB/12/07/24											
Cabinet Member approval: *Approved by email Cllr Lowry* Date approved: 15/07/2024											

Annual Report on Treasury Management Activities for 2023/24

Introduction

1. Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code). This requires the Council to approve a Treasury Management Strategy before the start of each financial year and, as a minimum, a half-year and annual treasury outturn report. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

2. This report includes the requirement in the 2021 Code, mandatory from 1st April 2023, of reporting of the treasury management prudential indicators.

3. The Authority's treasury management strategy for 2023/24 was approved at a meeting on 27 February 2023. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

Treasury Management Position

4. On 31st March 2024, the Authority had net borrowing of £656m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31/03/23 Actual £m	2023/24 Movement £m	31/03/24 Actual £m
General Fund CFR	879	(13)	866
Less: Other debt liabilities *	(109)	5	(104)
Borrowing CFR	**770**	**(8)**	**762**
Less: Usable reserves	(110)	3	(107)
Less: Working capital	(101)	102	1
Net borrowing	**559**	**97**	**656**

* *finance leases, PFI liabilities and transferred debt that form part of the Council's total debt.*

5. The Council has increasing CFR due to the capital programme and an increasing borrowing requirement to £904m. The Authority pursued its strategy of keeping borrowing and investments below their underlying levels (sometimes known as internal borrowing) to reduce risk and keep interest costs low.

Borrowing and Investment Activity

6. As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

7. Interest rates have seen substantial rises over the last two years, although these rises have now begun to plateau. Gilt yields fell in late 2023, reaching April 2023 lows in December 2023 before rebounding to an extent in the first three months of 2024. Gilt yields have remained volatile, seeing upward pressure from perceived sticker inflation at times and downward pressure from falling inflation and a struggling economy at other times.

8. At 31 March 2024, the Council held £656m of loans, an increase of £97m on 31/03/2023 as part of its strategy for funding previous years' capital programmes.

The treasury management position at 31st March 2024 and the change during the year is shown in table 2 and table 3 below.

Table 2: Borrowing Activity

	Balance on 01/04/2023 £m	Movement £m	Balance on 31/03/2024 £m	Avg Rate %
Public Works Loan Board	396	87	483	3.32
Banks - LOBOs	64	0	64	4.34
Other Loans	24	0	24	4.37
Short Term Borrowing	75	10	85	1.58
TOTAL BORROWING	559	97	656	3.23
Other Long Term Liabilities	119	(6)	113	-
TOTAL EXTERNAL DEBT	678	91	769	-
Less Total Investments (see table 3)	(86)	7	(79)	5.33
Net Borrowing	592	98	690	

9. Short term borrowing includes £85m the Council borrows from other local authorities at lower rates on 3-12 month terms. The Council holds an Interest Rates Risk (the risk that interest rates may go up).

10. To Hedge against this risk the Council took out an Interest Rate Swap in April 2020 for £75m at a fixed rate of 0.56% for 20 years using the SONIA (Sterling Over Night Index Average). The Sterling Overnight Interest Rate (SONIA) averaged 4.96% over period to 31 March 2024 therefore receiving a drawdown from the hedge arrangement.

11. The Council continues to hold £64m of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year.

12. Although not classified as borrowing, the Council has other capital finance from Private Finance Initiatives and Finance Leases etc. and as at 31st March 2024 this amounted to £113m. PFI and finance leases are other ways of financing capital. However, this is quite often more expensive and is paid over a number of years. The Council's current PFI debt will be repaid by 2040.

13. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

14. At 31 March 2024 the Council held £79m of cash and investments (see table 3) which was a decrease of £7m as at 31 March 2024.

Table 3: Investment Activity in 2023/24

Investments	Balance on 01/04/2023 £m	Movement £m	Balance on 31/03/2024 £m	Avg Rate/Yield (%)
Short term Investments (Banks and call accounts)	3	(2)	1	2.00
Money Market Funds	28	(5)	23	5.23
Other Pooled Funds	55	-	55	5.45
TOTAL INVESTMENTS	**86**	**(7)**	**79**	**5.33**

15. Investment activity for pooled funds is at notional cost. Within the statement of accounts, they are reported at fair value for 31 March 2024 totalling £52.282m (2022/23 £52.933m), this reflects the decline in fair value for a property fund. The strategy for holding these funds is for the return achieved, with regular review of the capital value of the investment to original cost. The externally managed Pooled Funds (bond, equity, multi-asset and property) with the CCLA, Schroder and Fidelity have generated a total return for the year of £3.128m (2022/23 £2.886m). Investment income has been used to support treasury management services in year.

16. It should be noted that the capital value of the Council's Pooled Investment will fluctuate dependent on market conditions. Any unrealised capital losses will not have an impact on the revenue budget or General Fund. The capital value would only be realised if the funds were sold.

The Pooled investments have no defined maturity date but are available for withdrawal after a notice period. The Council continues to regularly review its investment in these funds together with advice from its Treasury Management advisors.

Treasury Management Outturn 2023/24

17. The Treasury Management budget is held as a separate budget under the Finance Department within the Council's General Fund. Whilst interest costs are less than the budget there are a number of factors that contribute to the final position. Whilst the Council not only borrows to finance capital expenditure, it also has to maintain a daily net cash surplus position.

18. The Council's Treasury Management Outturn for the year delivered a £1.044m underspend compared to the approved budget, detail is shown in table 4 below. Additional income was received through a significant increase with dividends/interest received from investments. Higher fixed rate interest costs were incurred in 2023/24 as the Council switched part of its borrowing from short term to longer term PWLB borrowing with fixed rates to limit exposure to the risk of higher interest rates.

Table 4. Treasury Management Outturn Position 2023/24

	2023/24 Budget	2023/24 Outturn	Year End Variance
	£m	£m	£m
Interest Payable	16.600		
LOBO and other long term loans		3.369	
PWLB (Public Works Loan Board)		10.991	
Temporary loans		1.477	
Other Interest and charges		1.796	
Recharge to Departments for Unsupported Borrowing (in accordance with business cases)	(17.207)	(17.348)	
Total Interest Payable	**(0.607)**	**0.285**	**0.892**
Interest Receivable	(3.311)		
Pool Funds		(3.128)	
Money Market Fund		(1.589)	
Other Interest		(0.262)	
Total Interest Receivable	**(3.311)**	**(4.979)**	**(1.668)**
Other Payments	0.374	0.334	
Debt Management	0.500	0.136	
Transfer to Reserves - Miel	1.928	1.928	
Amortised Premiums	0.500	0.544	
Total Other Charges	**3.302**	**2.942**	**(0.360)**
Minimum Revenue Provision	**17.940**	**18.032**	**0.092**
TOTAL	**17.324**	**16.280**	**(1.044)**

(Brackets show a favourable variation)

19. Provision continued to be made in 2023/24 to fund any financial adjustments required to the 2019/20 accounts as a result of the external audit which is still ongoing.

20. Further provision was made following accounting adjustments for rate swap ineffectiveness

21. The Treasury Management Outturn does not include the returns from the Council's investments in the purchasing of its commercial assets, as this is included in the Place revenue outturn and referred to in the Other Non-Treasury Holdings and Activity section below.

22. Minimum Revenue Provision charges are posted the year after expenditure has been incurred or the year when an asset becomes operational (whichever is the latter). The budget for Minimum Revenue Provision (MRP) charges for 2023/24 was based on the forecast 2022/23 capital programme outturn at the end of December 2022.

23. The costs of borrowing to finance 'invest to save' capital schemes is charged to departments. The figures above include the borrowing implications of decisions to utilise the Property Regeneration Fund, previously known as Asset Investment Fund to acquire assets to earn a revenue return which is accounted for in directorate's budgets.

24. Minimum Revenue Provision (MRP) is a charge to the revenue budget that is made each year for monies to repay the Council's borrowing.
    Under regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003/146, as amended, local authorities are required to charge to their revenue account, for each financial year, MRP for the cost of their unfinanced capital expenditure.

25. The Council uses the annuity method to calculate its MRP and spreads the cost of the borrowing over the economic life of the assets and this takes into account the time value of money.

External Context affecting 2023/24 Treasury Management activities

26. UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February, but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e. excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.

27. The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.

28. Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e. including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.

29. Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive to control inflation over the medium term.

30. Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.

31. Financial markets: Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started.

32. Credit review: In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.

Other Non-Treasury Holdings and Activity

33. The Council held £209m of direct property investment under its Property Regeneration Fund. These non-treasury investments generated £3.097m of investment income for the Council after taking account of direct costs, representing a net revenue return of 1.48% after allowing for payment to a void reserve and payment to a lifecycle maintenance reserve. The gross return is higher than the return earned on treasury investments but reflects the additional risks to the Council of holding such investments.

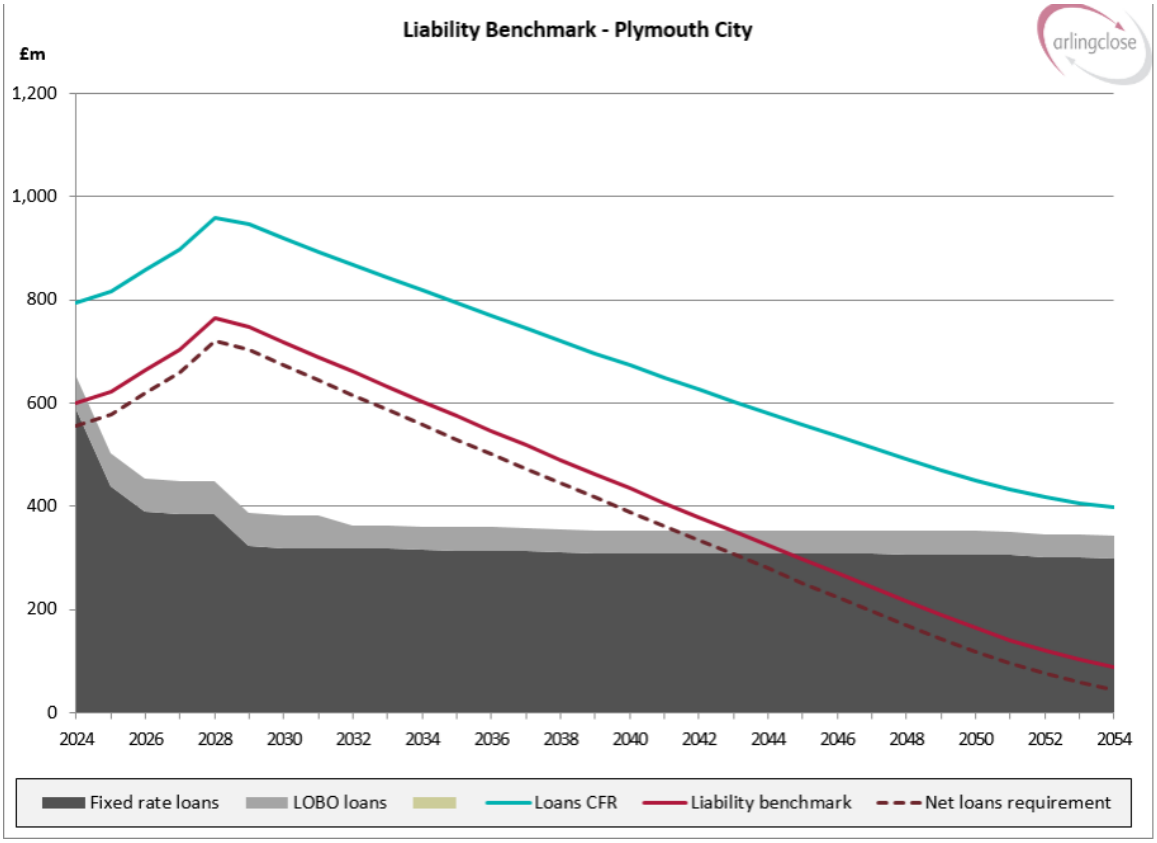
Prudential Indicators 2023/24

As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential.

34. **Liability Benchmark:** This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

	31.3.24 Actual £m	31.3.25 Forecast £m	31.3.26 Forecast £m
Loans CFR	795.2	817.2	859.2
Less: Balance sheet resources	(239.5)	(239.5)	(239.5)
Net loans requirement	0.0	105.7	197.6
Plus: Liquidity allowance	45.0	45.0	45.0
Liability benchmark	**600.7**	**622.7**	**664.7**
Existing borrowing	**655.6**	**517.1**	**467.1**

35. Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £655.6m a year, minimum revenue provision on new capital expenditure based on a 25-year asset life and income, expenditure and reserves all increasing by inflation. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing.



36. Whilst borrowing may be above the liability benchmark, strategies involving borrowing which is significantly above the liability benchmark carry higher risk. Officers will continue review the Arlingclose to reassess the liability benchmark.

37. **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2023/24 Limit	2023/24 Actual	Complied
Upper limit on fixed interest rate exposure	80%	87%	x
Upper limit on variable interest rate exposure	50%	13%	✓

Fixed rate borrowings are those where the rate of interest is fixed for the whole financial year or more. Instruments that mature during the financial year are classed as variable rate.

The strategy for borrowing whilst rates are high was to secure short term borrowing through other local authorities to finance £40m PWLB borrowing maturing in 2023/24 and any in year cashflow requirements. The cost of short term borrowing from other local authorities has generally risen with Base Rate over the year. Interest rates peaked at around 7% towards the later part of March 2024 as many authorities required cash at the same time. These rates are fell back to more normal market levels in April 2024. In Q4 2023/24 scenarios between borrowing at higher short term rates compared to the lower 1 year+ PWLB rate were considered with the latter option being taken which has resulted in fixed rate exposure being exceeded again. Details of the PWLB loans being taken is shown in table below, noting that £72m is repayable in 2024/25 which will reduce exposure within the limit providing OLA borrowing is secured.

New PWLB 2023/24 Repayable in	£m	Interest rate %
2024/25	72	5.32 - 5.46
2025/26	40	5.29 - 5.36
2028/29	10	4.80
2029/30	5	4.63
Total	127	5.31

38. **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	Upper Limit	Lower Limit	31.03.2024 Actual	Complied
Under 12 months	50%	20%	24%	✓
12 months and within 24 months	25%	0%	6%	✓
24 months and within 5 years	25%	0%	10%	✓
5 years and within 10 years	25%	0%	4%	✓
10 years and above	80%	50%	56%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

39. **Principal Sums Invested for Periods Longer than 365 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end were:

	2022/23	2023/24
Limit on principal invested beyond year	£10m	£10m
Actual	£0m	£0m
Complied	✓	✓

40. Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Actual	Complied
Portfolio average credit rating	A	AA	✓

41. Liquidity: The Council aims to hold sufficient cash in call accounts to cover its daily cashflow requirements. To mitigate the liquidity risk of not having cash available to meet unexpected payments the Council has access to borrow additional, same day, cash from other local authorities. During Q4 2023/24 available cash at affordable interest rates was limited making it more cost effective to draw one year+ monies from PWLB.

Treasury Management Compliance

42. Gross Debt and the Capital Financing Requirement**:** In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

43. The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt below.

The operational boundary is based on the Council's estimate of most likely (i.e.prudent, but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

Operational Boundary	31.03.24 Boundary £m	31.03.24 Actual Debt £m	Complied
Borrowing	950	656	✓
Other long-term liabilities	145	113	✓
Total Debt	**1095**	**769**	✓

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003.

It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	31.03.24 Limit £m	31.03.24 Actual Debt £m	Complied
Borrowing	985	656	✓
Other long-term liabilities	145	113	✓
Total Debt	**1130**	**769**	✓

Other

44. Statutory override: In April 2023 the Department for Levelling Up, Housing and Communities (DLUHC) published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended until 31st March 2025, but no other changes have been made; whether the override will be extended beyond this date is unknown but commentary to the consultation outcome suggests it will not. The Authority will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

45. In December 2023 DLUHC published two consultations: a "final" consultation on proposed changes to regulations and statutory guidance on MRP closing on 16th February and a "call for views" on capital measures to improve sector stability and efficiency closing on 31st January. Draft regulations and draft statutory guidance are included in the MRP consultation. The proposals remain broadly the same as those in June 2022 – to limit the scope for authorities to (a) make no MRP on parts of the capital financing requirement (CFR) and (b) to use capital receipts in lieu of a revenue charge for MRP.

Investment Training

46. Officers have undergone a range of training provided by CIPFA and Arlingclose which has been delivered mainly online. Arlingclose deliver online weekly 30 minute updates on a range of Treasury management matters and supplementary Treasury Management – Short workshops on key activities.

Outlook for the remainder of 2024/25

47. UK headline consumer price inflation (CPI) continued to decline over the quarter, falling from an annual rate of 3.2% in March to 2.0% in May, in line with the Bank of England's target. The core measure of inflation, however, only declined from 4.2% to 3.5% over the same period, which, together with stubbornly services price inflation at 5.7% in May, helped contribute to the BoE maintaining Bank Rate at 5.25% during the period, a level unchanged since August 2023.

48. Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% is the peak in Bank Rate and that interest rates will most likely be cut later in 2024/25. The risks over the medium term are deemed to be to the upside as while inflation has fallen to target, it is expected to pick up again later in the year and as services price inflation and wage growth are still on the firmer side, the MPC could well delay before delivering the first rate cut.

Recommendations

1. To note the Treasury Management Annual Report 2023/24
2. Recommend the Treasury Management Annual Report 2023/24 to Full Council for approval

Audit and Governance Committee

Date of meeting:	23 July 2024
Title of Report:	**Internal Audit End of Year Report 2023/24**
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Interim Service Director for Finance)
Author:	Louise Clapton, Audit Manager
Contact Email:	Louise.clapton@plymouth.gov.uk
Your Reference:	AUD/LC
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

This report summarises the work undertaken by Devon Audit Partnership during 2023/24, reviews the performance and effectiveness of the Internal Audit service, and provides an audit opinion on the adequacy of the Authority's internal control environment. Our work delivers objective and relevant assurance and contributes to the effectiveness and efficiency of the governance, risk management and internal control processes.

A key element of the Council's governance arrangements is the Annual Governance Statement (AGS), signed by the Leader, Chief Executive and Service Director for Finance (S.151 Officer). The assurance opinion derived from the work of the Internal Audit Service is used to help inform the Annual Governance Statement (AGS).

Regulation 6 of the Accounts and Audit (England) Regulations 2015 requires that 'a relevant authority must, each financial year conduct a review of the effectiveness of the system of internal control required by regulation 3, and prepare (and approve) an Annual Governance Statement'.

Recommendations and Reasons

The Audit and Governance Committee note that:

- Based on work performed during 2023/24 and previous years' audit, the Head of Internal Audit's opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

Alternative options considered and rejected

None, as failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations 2015.

Relevance to the Corporate Plan and/or the Plymouth Plan

The internal audit service assists the Council in delivering robust standards of public accountability and probity in the use of public funds and has a role in promoting high standards of service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.

Our work supports delivery of the values and priorities set out in Corporate Plan by ensuring that resources are used wisely, and service areas meet the needs of residents, businesses and communities through the delivery of quality public services.

Implications for the Medium Term Financial Plan and Resource Implications:
Delivery of the audit plan assists the council in the provision of quality public services which also demonstrate value for money. It has also helped ensure an effective control environment is maintained in these financially challenging times.

Financial Risks
None

Carbon Footprint (Environmental) Implications:
No impacts directly arising from this report.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:
** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*
No impacts directly arising from this report. The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.

Appendices
**Add rows as required to box below*

Ref.	Title of Appendix	**Exemption Paragraph Number** (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
		1	**2**	**3**	**4**	**5**	**6**	**7**
A	DAP Internal Audit End of Year Report 2023/24							

Background papers:

**Add rows as required to box below*

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

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

Sign off:

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Originating Senior Leadership Team member: David Northey, Interim Service Director for Finance											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 19/06/2024											
Cabinet Member approval: Cllr Lowry, via email. Date approved: 02/07/2024											

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Internal Audit

Annual Audit Report 2023-24

Plymouth City Council Audit Committee

July 2024

Official

Tony Rose
Head of Devon Audit Partnership

Jo McCormick
Deputy Head of Devon Audit Partnership

Louise Clapton
Audit Manager

Support, Assurance and Innovation

Introduction

The Audit Committee, under its Terms of Reference contained in Plymouth City Council's Constitution is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2023-24 was presented and approved by the Audit Committee in March 2023.

The following report and appendices set out the background to audit service provision; any updates to the agreed plan; a review of work undertaken in 2023-24 and provides our opinion on the overall adequacy and effectiveness of the Authority's Internal Control Environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This progress report provides a summary of work completed to date that will help inform the annual assurance opinion.

Expectations of the Audit Committee from this progress report

Audit Committee members are requested to consider:

- the assurance statement within this report;
- the basis of our opinion and the completion of audit work against the plan;
- changes to the plan and the scope and ability of audit to complete the audit work;
- audit coverage and findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Senior Leadership Team, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework (see appendix 4).

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Overall Opinion Statement

Based on work performed to date during 2023-24, our experience from the current year progress and previous years audit, the Head of Internal Audit's Opinion on the adequacy and effectiveness of the Authority's internal control framework is one of "Reasonable Assurance".

Our audit planning process is both risk based and agile, as such our resources, and consequently our annual report will inevitably focus upon higher risk areas.

Internal Audit assesses whether key, and other controls are operating satisfactorily and an opinion on the adequacy of controls is provided to management as part of the audit report. All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified. Implementation of action plans rests with management.

To provide ongoing assurance that management action is taken and the identified risks mitigated, Internal Audit track progress in completion. Implementation of agreed management actions will further strengthen internal controls, but it should be noted that the overall assurance opinion for 2023/24 provided in this report is at a point in time and will not change.

Directors have been provided with details of Internal Audit's opinion on each audit review carried out in 2023/24 to assist them with compilation of their individual annual governance assurance statements.

Should significant weaknesses have been identified in specific areas, these would have been considered by the Authority in preparing its Annual Governance Statement which will accompany the published Statement of Accounts for 2023/24.

This statement of opinion is underpinned by:

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to establish and monitor the achievement of the Council's objectives; facilitate policy and decision making; ensure economical, effective, and efficient use of resources, compliance with established policy, procedure, law, and regulation; and safeguard the Council's assets and interests from losses of all kinds. Core financial and administrative systems were reviewed by Internal Audit.

The Council's overall internal control framework is considered to have operated effectively during the year. Where internal audit work has highlighted instances of non or part compliance, none are understood to have had a material impact on the Authority's affairs.

Risk Management

Risk Management (RM) arrangements have been developed significantly in 2023/24 with new risk recording, monitoring and reporting processes put in place, including the use of live risk registers.

We have provided an opinion of reasonable assurance for Risk Management.

Performance and RM continues to be reported to Corporate Management Team (CMT), Audit Committee and Overview and Scrutiny.

Governance Arrangements

Arrangements have been considered in all of our audits along with opportunities to improve consistency or alignment to business need.

Performance Management

Regular reporting to management, CMT, Scrutiny and the Council continues to ensure effective performance management.

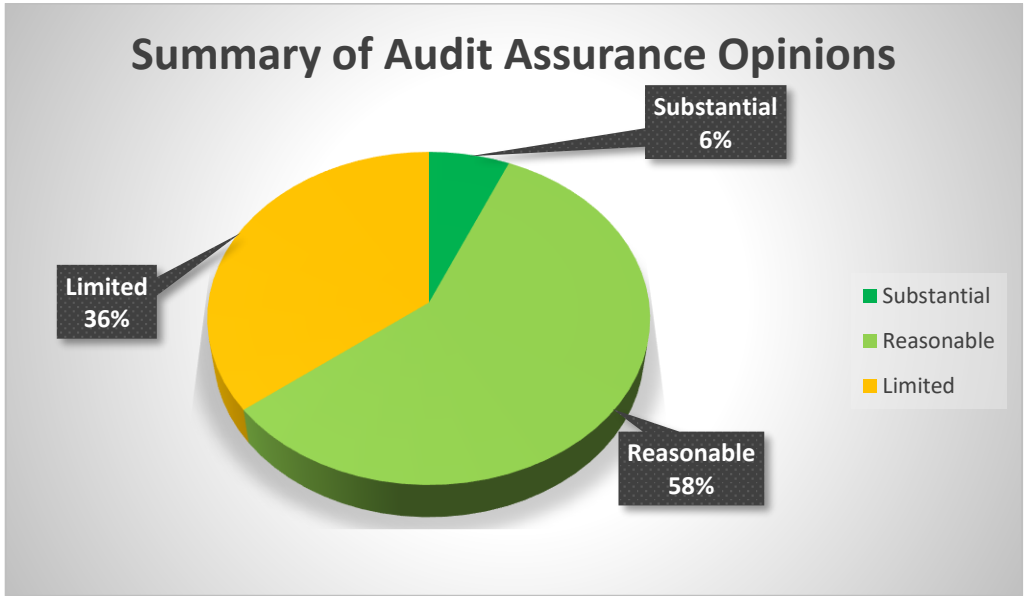
Irregularity and whistleblowing complaints, alongside the work of the Corporate Fraud Officer are also reported to Audit Committee.

The budget monitoring and scrutiny arrangements in operation have enabled pressure points to be identified and prompt remedial action to be taken. Budget performance is monitored by CMT, Scrutiny and full Council.

Substantial Assurance	A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.	**Limited Assurance**	Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved
Reasonable Assurance	**There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.**	No Assurance	Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.

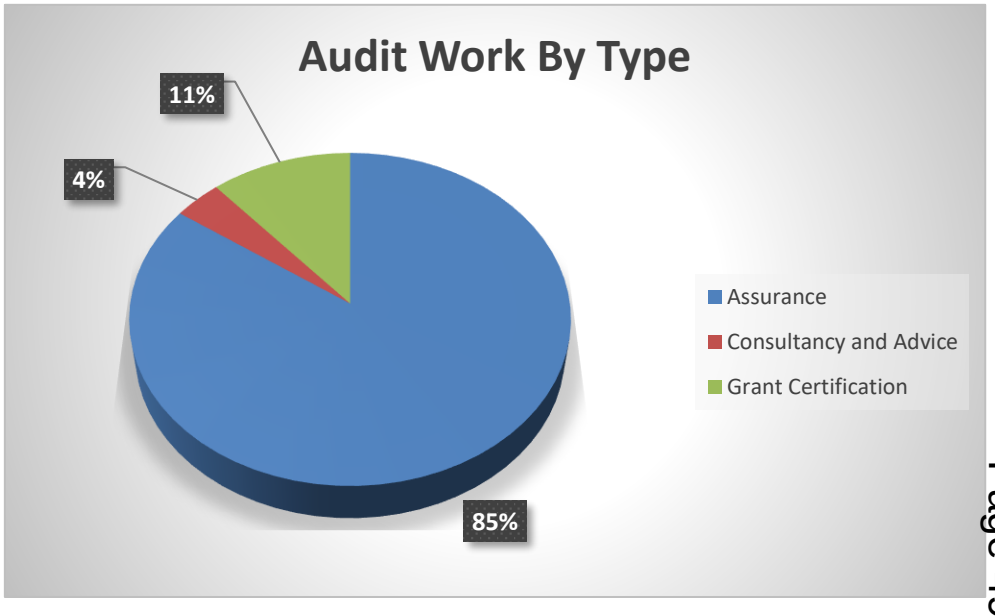
Summary Assurance Opinions

Chart 1.



Each assurance audit provides an Audit Assurance Opinion and this is used to inform our annual overall assurance opinion provided on page two. Chart 1, above, indicates the spread of assurance opinions from across our Internal Audit Assurance reports issued in the past year. Whilst 64% of assurance opinions were Reasonable or Substantial, it should be noted that four assurance opinions related to one service area, SEND. Due to the complexity of this area the audit objectives were split into four distinct reviews, if these reviews were to be considered as one 71% of audit assurance would be Reasonable or Substantial and 29% Limited. Chart 3 on page four indicates the spread of assurance opinions across Council Service areas, full details of audit work undertaken can be found in Appendix 1 on page 8.

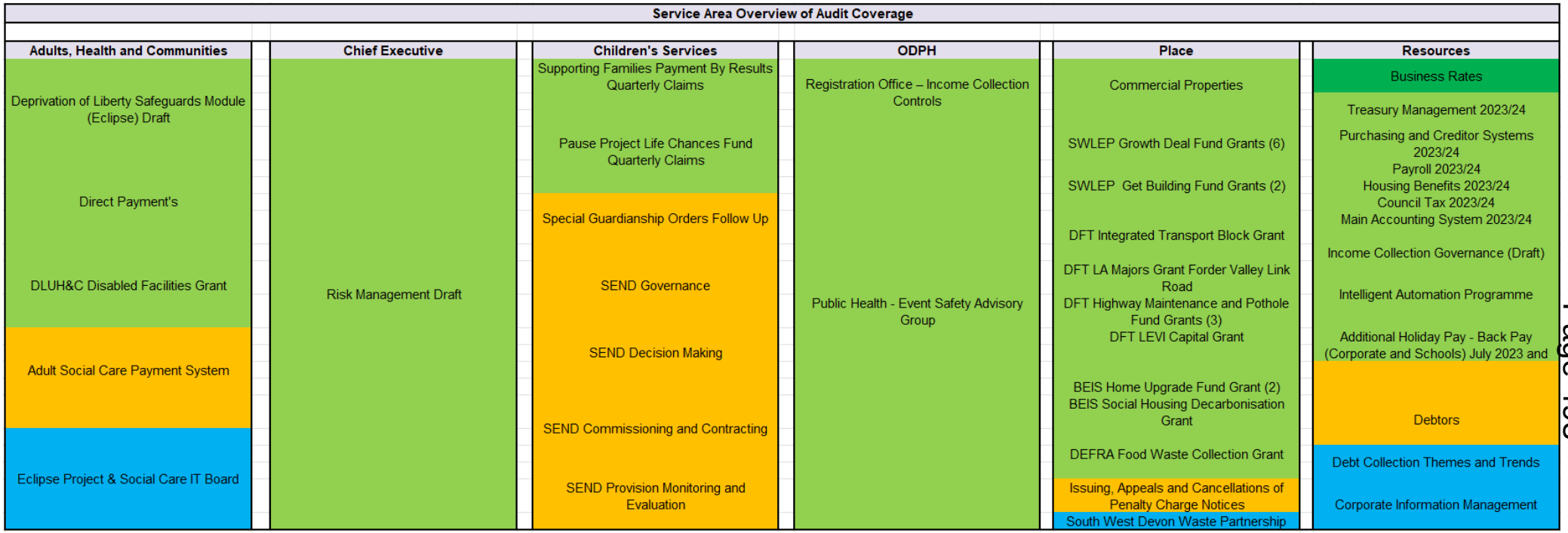
Chart 2.



Assurance audits accounted for 85% of the work completed in year. Whilst assurance audits enable us to provide an independent and objective opinion on the effectiveness of Plymouth City Council's risk management, control and governance processes DAP also carry out grant certification work and provide advice to support the ongoing development and improvement of Council operations and management of its risks. Chart 2, indicates the split of Internal Audit by work type undertaken during the 2023/24 financial year.

Summary Assurance Opinions

Chart 3.

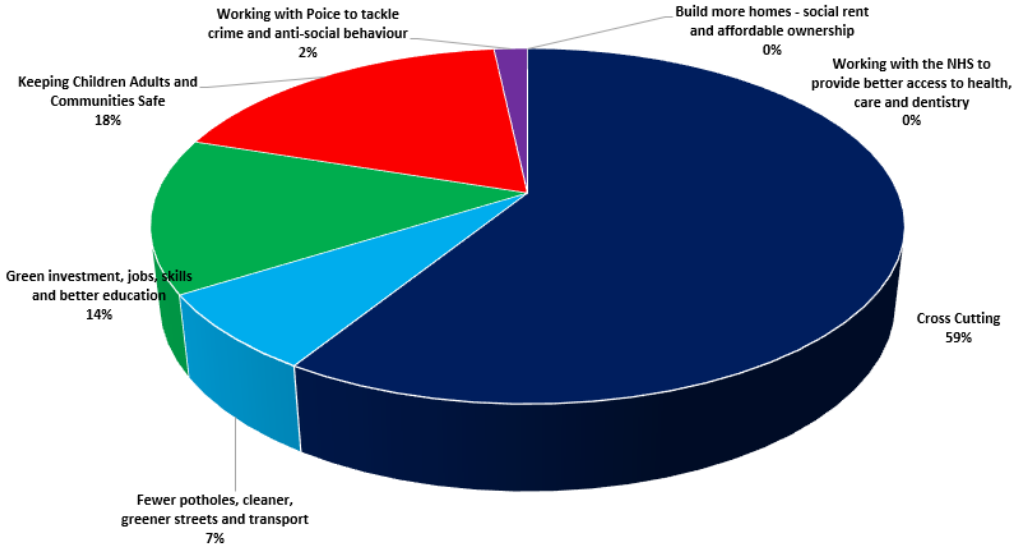


Key: Substantial Assurance | Reasonable Assurance | Limited Assurance | No Assurance | Opportunity or Value Added

Audit Coverage By Corporate Plan Priorities and Themes

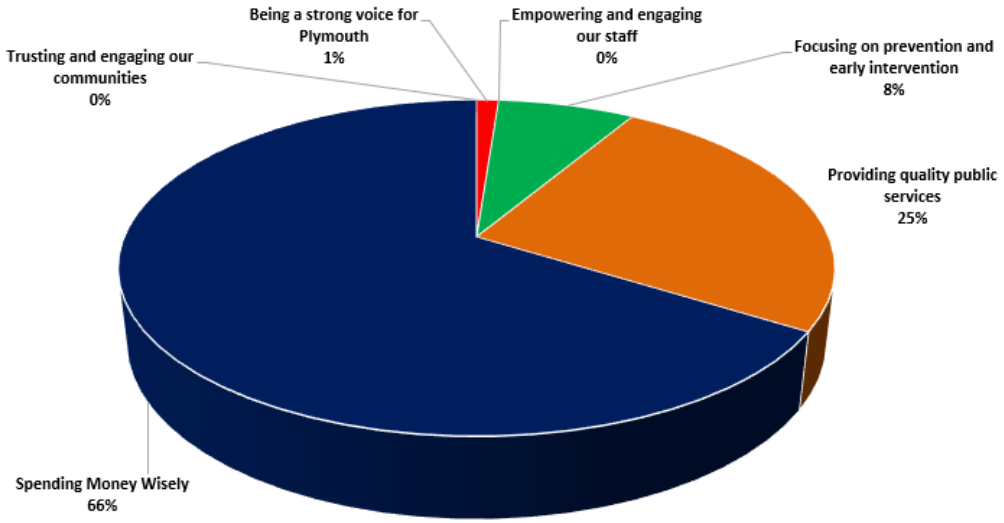
Internal Audit coverage should be aligned to corporate priorities and risk. The two charts below indicate our assessment of Internal Audit coverage against Plymouth City Councils Corporate Plan objectives and themes, we will continue to develop reporting of audit plans against risk

Chart 4



Audit Coverage By Corporate Priority

Chart 5

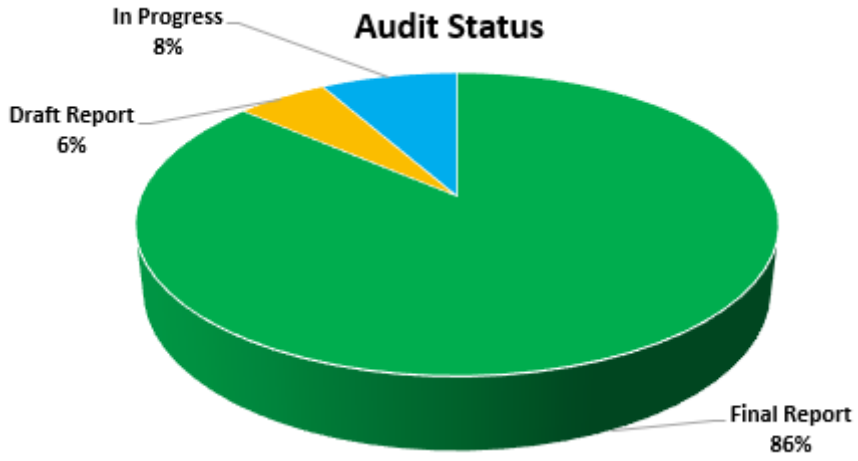


Audit Coverage By Corporate Theme

Audit Performance

DAP delivered 92% of audits to draft /final report, against the 2023/24 amended plan, the remaining audits are still in progress, as depicted in chart 6. To ensure that our Internal Audit programme of work is agile and meets the ongoing audit need requirements of the Council, amendments to the plan including cancellation or deferral of audits are agreed with Council Management and reported to Committee through our in year DAP progress reports.

Chart 6



The two charts below show the breakdown of the planned audit coverage by service area and that actually completed, this has varied only slightly.

Chart 7

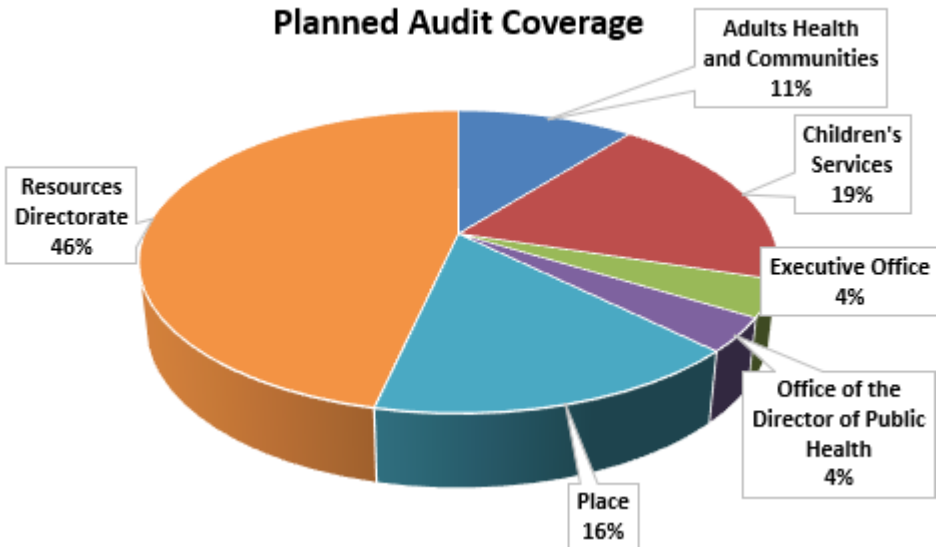
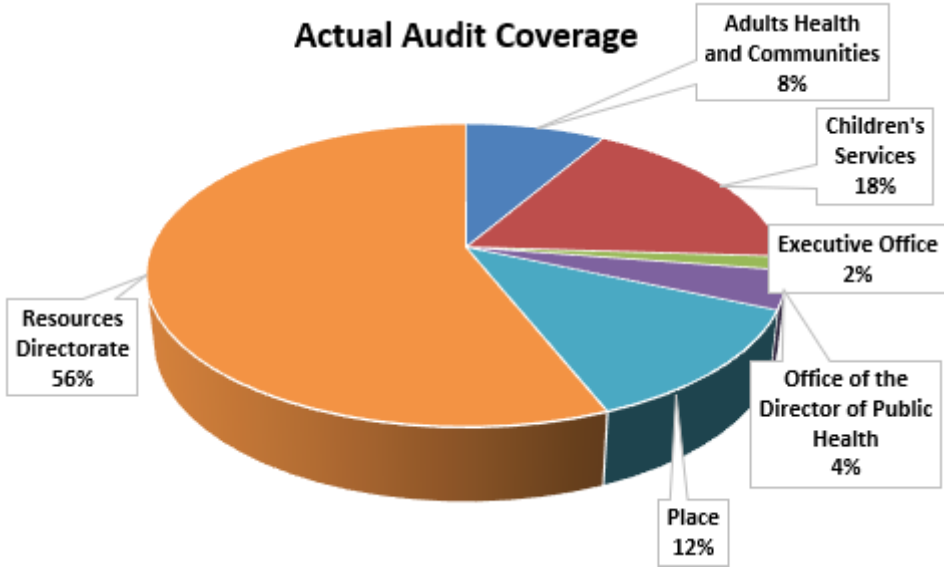


Chart 8



Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can. We believe internal audit activity can add value to the organisation and its stakeholders by:

- providing objective and relevant assurance,
- contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

Notable benefits are highlighted below.

Management Action Tracking

A new process to monitor and ensure that management actions are effectively implemented has been introduced during 2023/24. Support from the Councils Corporate Management Team has been key to developing a culture where implementation of agreed management actions is a priority. The number of overdue management actions have significantly reduced from 42 as at 31st December to 10 as at the 31st March 2024. Audit and Governance Committee will receive its first report at this July 2024 meeting, the latest report to 31st May shows a further reduction with only 3 management action overdue.

Data Analytics

To further strengthen and support our audit work we have sought to make greater use of data analytics, working with PCC we have identified specific whole data sets and developed data analysis tools including Power Bi Dashboards this enables greater assurance to be obtained through our audit work. Data analysis of complete data sets have been developed and undertaken for the Payroll, Purchasing and Creditor, Purchasing Cards and Direct Payment audits.

Risk Management

DAP continue to work with the Executive Office to better integrate the risks identified through internal audits with risk and performance management reporting tools, making the links between corporate and service objectives with governance, risk, internal control and performance. DAP also supported the initial presentation and introduction of the new risk management tool to Managers as part of the Lunch and Learn programme. As part of our programme of work in 2023/24 a survey of staff across the Council was undertaken to establish awareness and understanding of the Councils Risk and Opportunity Management Strategy, 175 members of staff responded, from all levels and from across the Council. Full details of the survey have been shared with the Executive Office to identify opportunities for strengthening overall risk management awareness and understanding across the Council.

Audit Advice

DAP provided real time advice throughout 2023/24 to support transformation change and / or mitigate risk.

- Civica Purchasing, assessment of background findings and consideration of user access profile revisions to minimise associated risks whilst ensuring efficiency and compliance in addition to the consideration of the proposed under £5k purchasing policy and procedure.
- Constitutional Review, provision of advice as changes to the constitution are considered.
- BEIS grant delivery, provision of advice to Officers on project governance and project delivery assurance framework to ensure compliance with grant funding requirements.
- Consideration of risks and implications relating to service agreements for the purchase of care home placements and residential care home cashflow.
- Plymouth Active Leisure, provision of advice to External Auditors relating to the Gladstone to Civica interface control.
- Recruitment controls provision of audit information and advice to inform transformation project plans for change.
- Consideration and identification of risk implications of proposed change to verification controls.

Schools

The original plan had two federated nursery schools and one special school for an internal audit review during the year. All of these school audits were successfully undertaken during the 2023/24 financial year. No primary schools were scheduled to be reviewed as they had all received an audit in the 2022/23 financial year, with the exception of one which is pending academisation.

In addition, DAP has provided advice and guidance to schools on the annual School Financial Value Standard (SFVS) return. The SFVS is now an established tool for maintained schools as a self-assessment of their local financial management. The maintained schools are required to annually submit their self-assessment to their local authority by 31st March. It is pleasing to note that all of the maintained schools in Plymouth returned their completed SFVS returns within the required timescales.

Fraud Prevention and Detection

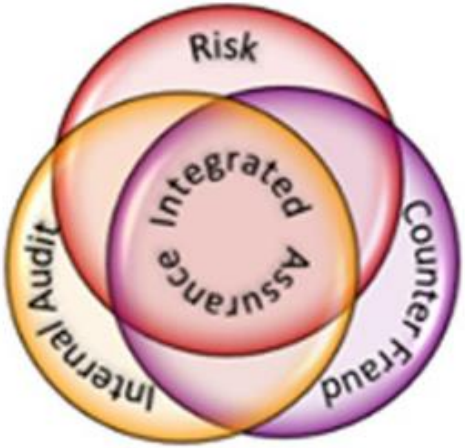
Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Cabinet Office now run the national data matching exercise, the National Fraud Initiative (NFI), every two years. Co-ordination of this exercise is now undertaken by DAP's Counter Fraud Team details of this and the Counter Fraud work conducted in 2023/24 is included in their annual report.

Integrated Assurance

Collaboration between the Audit Team and the Counter Fraud Team continues to evolve and strengthen with auditors becoming more aware of fraud risks and fraud investigators having a greater understanding of systems and controls.

This joined up approach help us to continue to provide the highest level of assurance possible and, for the Council to minimise fraud loss to the lowest level possible.

The Counter Fraud Team Manager has prepared a separate report for this Committee where more information can be found.



Summary of Internal Audit Work 2023/24

Appendix 1

The table below details the audit work undertaken within the 2023/24 financial year.

Audit Area	Status	Opinion	Audit Summary	Total Agreed Actions	Management Actions			
					H	M	L	O
Adult Social Care Payment System	Final	Limited	An opinion of Limited Assurance was given due to the failure of internal controls. Mitigation of overpayment risk will be strengthened through implementation and embedding planned: • Guidance, including gatekeeping checks, • Training for new staff, • Supervision of gatekeeping checks by inexperienced staff, and; • Updated exception reporting	4	0	4	0	0
Client Financial Services	Final	Limited	Efforts continue to build on the collaborative working arrangements put in place after our 2019 audit report although there has been some slippage regarding training for Livewell SW staff in PCC requirements. Online information to customers has been strengthened, however, there is often a reluctance to make client contributions and in many cases a range of avoidance tactics are deployed, particularly when the service user has a property. Resource issues have resulted in an increase in the backlog of referrals awaiting assessment in CFST and delays remain for Deputyship cases to be allocated. There was evidence to indicate improved collection rates for those cases subject to close monitoring and where regular contact was maintained with the service user/ financial representative. However, long gaps between contacting financial representatives made it easier to stall or complicate completion of financial assessments. We note that there are also delays within the Court of Protection processes which are totally outside of the control of the Council.	14	5	7	2	0
Debtors 2022/23	Final	Limited	Whilst the design of the overarching control framework is unchanged, remains appropriate and ensures the effective billing of sundry income, some of the operational controls were found to be not always sufficiently well maintained.	14	6	6	2	0

Audit Area	Status	Opinion	Audit Summary	Total Agreed Actions	Management Actions			
					H	M	L	O
			Reduced capacity within the Income Recovery Team and also within Legal Services has impacted the effectiveness of some aspects of debt recovery but we are pleased to report that management have responded positively to the issues highlighted.					
Debtors 2023/24	Final	Limited	Outstanding sundry debt has risen in the financial year 2023/24, collection rate currently stands at 80.5% against a target of 95%. Senior management are aware and audit have been informed that steps are being taken to resolve this. Extra resource has been put in place within the Income Recovery team but it is too early to give an opinion as to whether this will have an effect on the amount of debt outstanding. New processes have or are being put in place and all outstanding debts are in the process of being reviewed The Income and Credit Management Policy has not been updated since October 2017 although it is understood that work is underway to rectify this. This has been an ongoing management action for seven year.	12	5	6	1	0
Issuing, Appeals and Cancellations of Penalty Charge Notices (PCNs)	Final	Limited	Whilst policies and procedures are in place, they are not always strictly adhered to and working practices have become out dated or missing. We are pleased to highlight that the Service has a Parking Enforcement Action Plan in place which touches on a number of the issues included in this report and once this is implemented along with the recommendations in this report, processes and procedures should be further strengthened and operating to a good standard.	8	1	6	0	1
SEND Governance (Externally Commissioned Educational Provision)	Final	Limited	SEND governance arrangements are not yet embedded and integrated. Arrangements would be strengthened through: • Publication of its SEND Strategy 2023-26 and ongoing evaluation of delivery progress and outcomes.	7	4	2	0	1

Audit Area	Status	Opinion	Audit Summary	Total Agreed Actions	Management Actions			
					H	M	L	O
			• Implementation of commissioning plans for SEND services, ensuring strategic direction and resource allocation meets the needs of the SEND community. • Implementation of a SEND Communication Strategy/ to foster transparency and collaboration. • Implementation of risk management arrangements, to ensure the risks, barriers and uncertainties, to delivering the SEND Strategy are identified or captured to enable mitigating action and allocation of resources to be determined.					
SEND Decision Making (Externally Commissioned Educational Provision)	Final	Limited	The decision making process within SEND and the 0-25 team was under review however, at the time of the audit, progress on the development work had been delayed with no detailed action available. SEND decision making would be strengthened through: • Implementation of revised written processes. • Implementation of a Scheme of Delegation to set out the delegated authority for decisions. • All financial decisions being taken at appropriate authorisation levels; • Decisions being effectively communicated. • Regularity of DMP (Decision Making Panel) meetings, to improve timeliness of decisions. • Implementation of Terms of Reference (ToR) for decision making panels and members informed.	10	3	7	0	0
SEND Commissioning and Contracting (Externally Commissioned Educational Provision)	Final	Limited	Procedures and systems in place for the commissioning and contracting of SEND external educational placements would be improved through: • Improved management information • Compliance with Financial Regulations and Standing Orders • Improved management action and demonstrable decision making within arrangements for undertaking due diligence of providers; • Improved customer service, timeliness of communications and the completeness of	13	9	4	0	0

Audit Area	Status	Opinion	Audit Summary	Total Agreed Actions	Management Actions			
					H	M	L	O
			management information to support provider service delivery, financial management and service reputation • Value for money assessments, including consideration of costs when assessing the reasonableness or suitability of individual placements and undertaking site visit to assess suitability for an individual;					
SEND Monitoring and evaluation (Externally Commissioned Educational Provision)	Final	Limited	Procedures, processes and systems in place for the monitoring and evaluation of SEND contracts and external educational placements would be improved through: • Improved management action and demonstrable decision making to act on concerns. • Improved monitoring of children/young people in placement to ensure outcomes are met, placements are appropriate and attendance is good, • Improved management information and monitoring procedures. • Improved financial management of additional and ongoing costs incurred where non-attendance is identified.	9	2	6	1	0
Special Guardianship Orders Follow Up	Final	Limited	Overall audit opinion remains "Limited Assurance". Whilst improvements and/or plans for improvements have been made in some areas, associated risks are not yet sufficiently mitigated due to some significant weaknesses in the internal control framework. The Head of Service is to undertake a review of Special Guardianships. This should clarify roles and responsibilities and provide ownership for the whole process ensuring a joined-up approach between Children, Young People and Families (CYPF), Client Financial Services Team (CFST) and Finance and maintaining good communication between stakeholders.	10	2	5	3	0
Commercial Properties	Final	Reasonable	Land & Property (L&P) deliver an effective and professional property service in their management of the legacy portfolio of Council assets.	3	0	1	0	2

Audit Area	Status	Opinion	Audit Summary	Total Agreed Actions	Management Actions			
					H	M	L	O
			The Council's asset management system, Tech Forge, migrated to the "TF Cloud" system in 2021 and L&P have been proactive in using the system enhancement to improve data quality, streamline processes and overall, create a more robust control framework than was previously in place. Sample testing found that agreements had been accurately recorded within the system, key documents had been retained and were accessible and invoicing had been set up in accordance with the value and period specified. Rent reviews, including the type and due date, are input into TF Cloud following legal completion of the lease agreement.					
Additional Holiday Back Pay Corporate and Schools	Final	Reasonable	Due to caselaw ruling, there is a legal requirement to pay additional holiday pay if overtime / other variable work is regularly undertaken. Four separate tranches of payments for additional holiday pay have been subject to audit review. Having carried out appropriate investigations and checks for a sample of payments we concluded that the process to identify and calculate payments made were reasonable.	0	0	0	0	0
Business Rates 2022/23	Final	Reasonable	Reported to July 2023 Audit and Governance Committee in draft and finalised May 2023.	7	1	3	3	0
Council Tax 2023/24	Final	Reasonable	This audit evaluated the arrangements for applying discounts, exemptions and reliefs and debt collection. It was found that the Council provides adequate support to eligible tax payers with published information meeting the requirements of the Plain English Guide to Council Tax. Adequate arrangements were in place to maximise Council Tax collection. As raised previously, there remains a large amount of Council Tax accounts in credit, this work continues to be viewed as a low priority.	11	2	6	2	1
Direct Payments	Final	Reasonable	Direct Payment expenditure is in accordance with Direct Payment legislation. Compliance with statutory regulations and meeting Plymouth City Councils (PCC) performance targets to undertake annual reviews, along with monitoring	6	2	4	0	0

Audit Area	Status	Opinion	Audit Summary	Total Agreed Actions	Management Actions			
					H	M	L	O
			and oversight to ensure client contributions towards care costs are made, could be further strengthen to ensure council funded support through direct payments meets the individual needs of service users.					
Housing Benefits 2023/24	Final	Reasonable	Adequate processes and controls in place to ensure the completeness and accuracy of all data provided to the Council's financial accounts with reconciliations of Housing Benefit payments, overpayments, and receipts to the Main Accounting System, undertaken in a timely manner. The Council's Housing Benefit and Council Tax Support assessments are undertaken by experienced, well-versed staff, and regular checks are undertaken to ensure Housing Benefit subsidy is maximised. However, there remains room to better support and safeguard assessment quality and performance. The average number of processing days was in the bottom 20% of all Local Authorities. It is recognised that the complex nature of Housing Benefit claims for supported/temporary accommodation and difficulty in evidence gathering from those claimants who rely on support workers who have large caseloads, may explain some delays in processing Management have advised that limited resources have hindered their progress in implementing some of the controls we have previously recommended, including debt recovery, QA checks and National Fraud Initiative (NFI) checks.	13	2	8	2	1
Intelligent Automation	Final	Reasonable	A sound baseline has been put in place to create the required platform upon which Intelligent Automation (IA) can be integrated into the Council's processes. There is a reassuringly healthy acceptance by all involved in the Council's IA Programme that there is a steep learning curve to understand the technology and how this can best be harnessed by the Council. This applies to evolving governance, design, creation and integration activities, the	12	3	8	1	0

Audit Area	Status	Opinion	Audit Summary	Total Agreed Actions	Management Actions			
					H	M	L	O
			key risks of which are set out in the next section of this report. To obtain the best value for money IA is best delivered via a robust and effective enterprise platform. This requires a top-down commitment from senior management to the IA Programme and a clear understanding of the drivers and potential outcomes and benefits.					
Payroll 2023/24	Final	Reasonable	The overall internal control framework in respect of PCC's payroll system continues to provide reasonable assurance that PCC employees have been paid accurately, on time and in accordance with their contract of employment.	11	0	11	0	0
Event Safety Advisory Group	Final	Reasonable	Plymouth City Council in partnership with the key agencies has established an event support process for larger or higher risk events which includes the opportunity for these to be discussed at the Plymouth Event Safety Advisory Group (PESAG). PESAG provides event organisers with coordinated access to professional specialist advice and guidance from a wide range of Council Officers, external agencies and services to assist the safe management of their event and avoid any difficulties that may affect any liability insurances, licences or other required permissions, legislative need or exposure to possible litigation. PESAG operates effectively with adequate governance arrangements and processes in place. Recommendation have been made to enhance the overall control framework and strengthen the operation of the ESAG.	11	0	5	4	2
Purchasing and Creditors 2023/24	Final	Reasonable	Plymouth City Council's overall Internal Control Framework continues to operate effectively and provides reasonable assurance that Council Purchasing and Creditor Payments are accurate, complete, timely and in accordance with Financial Regulations and Standing Orders. The Civica creditors system facilitates payment for a diverse range of service areas across the Council, through	11	1	5	2	3

Audit Area	Status	Opinion	Audit Summary	Total Agreed Actions	Management Actions			
					H	M	L	O
			interfacing financial systems and integrated purchasing systems for the procurement and payment of goods, services and works. System user access profiles and consistent application of automated and manual verification, reconciliation and exception reporting continue to ensure the legitimacy, validity and integrity of purchases, payments and financial data.					
Registration Office Income Collection	Final	Reasonable	Overall, the internal control framework operating within the Registration Service continues to operate effectively with processes generally operating as expected. The Plymouth Register Office is continuing to provide services in line with their statutory responsibilities and is doing so in a competent manner.	4	1	1	0	2
Business Rates 2023/24	Final	Substantial	This audit evaluated the arrangements for applying discounts, exemptions and reliefs, it was found that the Council provides adequate support to eligible rate payers with adequate arrangements in place to maximise Business Rates collection.	5	1	2	2	0
Treasury Management 2022/23	Final	Substantial	Reported to July 2023 Audit and Governance Committee in draft and finalised May 2023.	0	0	0	0	0
Main Accounting System 2023/24	Draft	Reasonable	The Main Accounting System internal control framework continues to operate effectively with processes operating as expected and in accordance with Financial Regulations. A balanced budget was set, approved, accurately input to the MAS and regular routine reconciliation, monitoring and reporting ensure the accuracy and completeness of financial information.	5	0	3	2	0
Treasury Management 2023/24	Draft	Reasonable	Plymouth City Councils (PCC) Treasury Management system is effective with strong governance arrangements and operational processes in place. 2023/24 has been a very difficult year due to uncertainty around a money market that has been difficult to predict with fluctuating interest rates. However, despite these challenges, the robust Treasury Management arrangements have enabled ongoing effective financial management.	4	1	2	1	0
Income Collection Governance	Draft	Reasonable	Controls required to collect, process and deposit income are long established, were found to remain largely intact and as would be expected. However, the overall level of					

Audit Area	Status	Opinion	Audit Summary	Total Agreed Actions	Management Actions			
					H	M	L	O
			assurance is undermined by the direct impacts of the necessary rationalisation of the organisation. Work is required to provide guidance and advice to all locations and services receiving cash, the use of which should be reduced wherever possible.					
Risk Management	Draft	Reasonable	Plymouth City Councils overall Risk Management Framework continues to provide Reasonable Assurance that risks to the achievement of its corporate and service plan objectives are identified, evaluated, monitored and appropriately managed. The Council have a robust Risk and Opportunity Management Strategy that continues to be updated and approved by Audit and Governance Committee to ensure it remains fit for purpose. A programme of change has been undertaken to strengthen risk management arrangements, including the development of a live risk register and accountability for updating risk information moving to 3rd Tier Management. Revised arrangements, as a methodology, appear to be effective and well structured, and it is pleasing to note the integration with Performance Dashboards. However, the new risk management tool has only been operating since December 2023 and is therefore still in it's infancy in terms of it being operated as an integrated practice within the organisation.	4	0	3	0	1
BEIS Home Upgrade Grant Phase 1 Extension 31/5947 2023-24	Final	Grant Certified	In accordance with BEIS Home Upgrade Phase 1 grant conditions we undertook an audit of the project closure statement of grant usage. Grant funding of £2.254m was awarded to Plymouth City Council.					
BEIS Home Upgrade Grant Phase 2 31/6400 2023-24	Final	Grant Certified	In accordance with the BEIS Home Upgrade Grant Phase 2 we undertook the audit certification of the statement of grant usage. Grant funding to cover mobilisation costs of £23k was awarded.					
BEIS Local Authority Delivery Phase 3 (LAD3) Grant 2023-24	Final	Grant Certified	In accordance with BEIS Local Authority Delivery Scheme Phase 3 grant conditions we undertook an audit of the project closure statement of grant usage. Grant funding of £1.752m was awarded to Plymouth City Council.					

Audit Area	Status	Opinion	Audit Summary	Total Agreed Actions	Management Actions			
					H	M	L	O
BEIS Social Housing Decarbonisation Fund Wave 1 (2021/22) 31/5919 - 2023-24	Final	Grant Certified	In accordance with BEIS Social Housing Decarbonisation Fund Wave 1 31/5919 grant conditions we undertook an audit of the project closure statement of grant usage. Grant funding of £967k was awarded to Plymouth City Council.					
DEFRA Food Waste Collection Grant Determination No 31/7069 Declaration	Final	Grant Certified	In accordance with the conditions attached to the DEFRA Food Waste Collection Grant Determination No 31/7069 we carried out appropriate investigations and checks. Grant funding of £1.9m was awarded to Plymouth City Council.					
DFT Forder Valley Link Road (31/3356)	Final	Grant Certified	In accordance with DFT Local Authority Major Project grant conditions we undertook the final audit of the statement of grant usage. Grant funding of £22.5m was awarded to the Forder Valley Link Road scheme.					
DFT Highway Maintenance incentive element 2023-24	Final	Grant Certified	In accordance with DFT Highways Maintenance Incentive Element 2022/23 grant conditions we undertook the annual audit of the statement of grant usage. Grant funding of £323k was awarded to Plymouth City Council for 2022/23.					
DFT Highway Maintenance needs element 2023-24	Final	Grant Certified	In accordance with DFT Highways Maintenance Needs Element 2022/23 grant conditions we undertook the annual audit of the statement of grant usage. Grant funding of £1.290m was awarded to Plymouth City Council for 2022/23.					
DFT Integrated Transport Block 2023-24	Final	Grant Certified	In accordance with DFT Integrated Transport Block 2022/23 grant conditions we undertook the annual audit of the statement of grant usage. Grant funding of £1.959m was awarded to Plymouth City Council for 2022/23.					
DFT Local Electric Vehicle Infrastructure Capital Grant 31/6965 - 2023/24	Final	Grant Certified	In accordance with the conditions attached to LEVI Capital Grant Determination No 31/6965 we carried out appropriate investigations and checks. Grant funding of £2.4m was awarded to Plymouth City Council.					
DFT Pothole Action Fund 2023-24	Final	Grant Certified	In accordance with DFT Pothole Action Fund 2022/23 grant conditions we undertook the annual audit of the statement of grant usage. Grant funding of £1.290m was awarded to Plymouth City Council for 2022/23.					
DLUH&C Disabled Facilities Grant 31/6092 2023-24	Final	Grant Certified	In accordance with DLUH&C Disabled Facilities Capital grant conditions we undertook the audit of the statement of grant usage. Grant funding of £2.814m was awarded to Plymouth City Council for 2022/23.					

Audit Area	Status	Opinion	Audit Summary	Total Agreed Actions	Management Actions			
					H	M	L	O
GB19 Plymouth International and City Business Park 2023-24	Final	Grant Certified	In accordance with Get Building funding grant conditions we undertook the annual audit of the statement of grant usage. Get Building funding of £1.9m was awarded to this project.					
GB23 - Plymouth Sound National Marine Park 2023-24	Final	Grant Certified	In accordance with Get Building Fund grant conditions we undertook the annual audit of the statement of grant usage. Get Building funding of £625k was awarded to this project.					
GD18 Northern Corridor Junction Improvements 2023-24	Final	Grant Certified	In accordance with Growth Deal grant conditions we undertook the annual audit of the statement of grant usage. Growth Deal funding of £2.1m was awarded to this project, the project is now complete and this was the final audit.					
GD19 Eastern Corridor SCN 2023-24	Final	Grant Certified	In accordance with Growth Deal grant conditions we undertook the annual audit of the statement of grant usage. Growth Deal funding of £3.4m was awarded to this project.					
GD20 Charles Cross 2023-24	Final	Grant Certified	In accordance with Growth Deal grant conditions we undertook the annual audit of the statement of grant usage. Growth Deal funding of £2.1m was awarded to this project.					
GD33 Oceansgate Phase 1 2023-24	Final	Grant Certified	In accordance with Growth Deal grant conditions we undertook the annual audit of the statement of grant usage. Growth Deal funding of £1.5m was awarded to this project.					
GD42c 5G Smart Sound 2023-24	Final	Grant Certified	In accordance with Growth Deal grant conditions we undertook the annual audit of the statement of grant usage. Growth Deal funding of £1.8m was awarded to this project.					
GD50 Plymouth Railway Station 2023-24	Final	Grant Certified	In accordance with Growth Deal grant conditions we undertook the annual audit of the statement of grant usage. Growth Deal funding of £4.7m was awarded to this project.					
Pause Project Life Chances Fund 2022/23 - Quarter 4	Final	Grant Certified	The 2022/23 final quarterly claim was checked and verified in July 2023. Sample checks were performed on the outcomes reported for Cohorts 1 and 2 of the Pause Programme prior to payment to the service being approved. This programme works with women who have experienced or are at risk of, repeated pregnancies that result in children needing to be removed from their care. The model aims to give women the opportunity to “pause”, take control of their lives and break free from destructive cycles.					

Audit Area	Status	Opinion	Audit Summary	Total Agreed Actions	Management Actions			
					H	M	L	O
Pause Project Life Chances Fund 2023/24 - Quarter 1	Final	Grant Certified	The 2023/24 first quarterly claim was checked and verified in September 2023. Sample checks were performed on the outcomes reported for Cohorts 1 and 2 of the Pause Programme, for the period 1st April 2023 to 30th June 2023, prior to payment to the service being approved. This programme works with women who have experienced or are at risk of, repeated pregnancies that result in children needing to be removed from their care. The model aims to give women the opportunity to "pause", take control of their lives and break free from destructive cycles.					
Pause Project Life Chances Fund 2023/24 - Quarter 2	Final	Grant Certified	The 2023/24 second quarterly claim was checked and verified in October 2023. Sample checks were performed on the outcomes reported for Cohorts 3 and 4 of the Pause Programme, for the period 1st July to 30th September 2023, prior to payment to the service being approved.					
PCC Supporting Families Payment By Results Claim 2023/24 - Quarter 1 Claim	Final	Grant Certified	This was the final claim for payments by results under the old "Troubled Families" framework and the first under the new national Supporting Families Outcome" framework. In accordance with DLUHC programme guidance three monthly payment by results claims have been sample checked and verified prior to submission and we certified the first quarterly claim by the 28th of June 2023 deadline. The Council target for 2023/24 is to achieve successful outcomes for 571 families, Payment By Results (PBR) were claimed for 66 families, resulting in £52,800 of funding to the Council.					
PCC Supporting Families Payment By Results Claim 2023/24 - Quarter 2 Claim	Final	Grant Certified	In accordance with DLUHC programme guidance two monthly payment by results claims have been sample checked and verified prior to submission and we certified the second quarterly claim by the 28th of September 2023 deadline. The Council target for 2023/24 is to achieve successful outcomes for 571 families. Quarter 2 PBR's claimed were claimed for 66 families, resulting in £52,800 of funding to the Council.					

Audit Area	Status	Opinion	Audit Summary	Total Agreed Actions	Management Actions			
					H	M	L	O
			Overall PBR's claimed to 30th September totalled 132 (23% of target), resulting in £105,600 of funding to the Council.					
PCC Supporting Families Payment By Results Claim 2023/24 - Quarter 3 Claim	Final	Grant Certified	In accordance with DLUHC programme guidance three monthly payment by results claims have been sample checked and verified prior to submission and we certified the third quarterly claim by the 3rd of January 2024 deadline. The Council target for 2023/24 is to achieve successful outcomes for 571 families. Quarter 3 PBR's claimed for 50 families, resulting in £40,000 of funding to the Council. Overall PBR's claimed to 31st December totalled 182 (32% of target), resulting in £145,600 of funding to the Council.					
PCC Supporting Families Payment By Results Claim 2023/24 - Quarter 4 Claim	Final	Grant Certified	In accordance with DLUHC programme guidance three monthly payment by results claims have been sample checked and verified prior to submission and we certified the fourth quarterly claim by the 27th March 2024 deadline. The Council target for 2023/24 is to achieve successful outcomes for 571 families. Quarter 4 PBR's claimed for 123 families, resulting in £98,400 of funding to the Council. Overall PBR's claimed to 27th March totalled 305 (53% of target), resulting in £244,000 of funding to the Council.					
Debt Collection Themes and Trends 2023/24	Final	Advisory	With finite resources resulting from the need to continually meet with the Councils financial challenges, management have had no option but to prioritise key aspects of service delivery. This has inevitably resulted in some tasks having a lower priority and an increase in backlogs. The financial impact of this situation becomes clearer when individual findings relating to debt collection and recovery are extracted and viewed collectively. Currently, the recovery of unpaid debt spans several teams. For Council Tax, Business Rates and Sundry Debtors, the software systems are configured to automatically produce reminders and in the case of Council Tax and Business Rates, this continues through to summons stage. However, when income					

Audit Area	Status	Opinion	Audit Summary	Total Agreed Actions	Management Actions			
					H	M	L	O
			recovery reaches a point where human intervention is needed, there is a resource shortfall. Management are faced with complex workplace decisions and need to consider what if anything may work better going forward.					
Corporate Information Management 2023/24	Ongoing	Advisory	Continued participation with the Council's Information Lead Officer Group (ILOG) and Devon Information Security Partnership (DISP).					
Eclipse Project & Social Care IT Board	Ongoing	Advisory	Provision of real-time support and challenge to the Eclipse Project Board and additional formal advice.					
South West Devon Waste Partnership 2023-24	Ongoing	Advisory	DAP continue its participation with the Partnership, attending Project Executive meetings.					

Appendix 2 - Professional Standards and Customer Service

Conformance with Public Sector Internal Audit Standards (PSIAS)

Conformance - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing,* the *Code of Ethics* and the *Standards.* Our internal audit charter was approved by senior management and the Audit Committee in March 2023. This is supported through external assessment of conformance with Public Sector Internal Audit Standards & Local Government Application Note.

The Institute of Internal Audit (IIA) are the key body involved in setting out the global standards for the profession which form the basis for the Public Sector Internal Audit Standards (PSIAS) and have been undergoing review and revision. The proposed new standards will take effect in January 2025 and provide clarity and raise awareness of the audit committee's governance roles and responsibilities. 2024 Global Internal Audit Standards (theiia.org)

Quality Assessment - the Head of Devon Audit Partnership maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme.

External Assessment - The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An **external assessment** must be conducted at least once every five years by a suitably qualified, independent assessor. For DAP this was recently conducted at the end of 2021 by the Head of Southwest London Audit Partnership, and the Chief Internal Auditor of Orbis (a partnership organisation covering Brighton and Hove, East Sussex, and Surrey County Council).

The assessment result was that *"Based on the work carried out, it is our overall opinion that DAP generally conforms* with the Standards and the Code of Ethics".* The report noted that *"As a result of our work, a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion".* DAP is actively addressing these improvement areas.

* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance are included in this development plan which is ongoing. Our development plan is regularly updated and links to our overall strategy, both of which are reported to the DAP Management Board and DAP Committee.

Customer Service Excellence (CSE)

DAP was successful in re-accreditation by G4S Assessment Services of the CSE standard during January 2023. This accreditation is a UK-wide quality mark which recognises organisations that prioritise customer service and are committed to continuous improvement.

During the year we have issued client survey forms for some of our reports, and the results of the surveys returned were very good / positive. The overall result is very pleasing, with near 96% being "satisfied" or better across our services. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

Appendix 3 – Audit Authority



Appendix 4 - Annual Governance Framework Assurance

The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

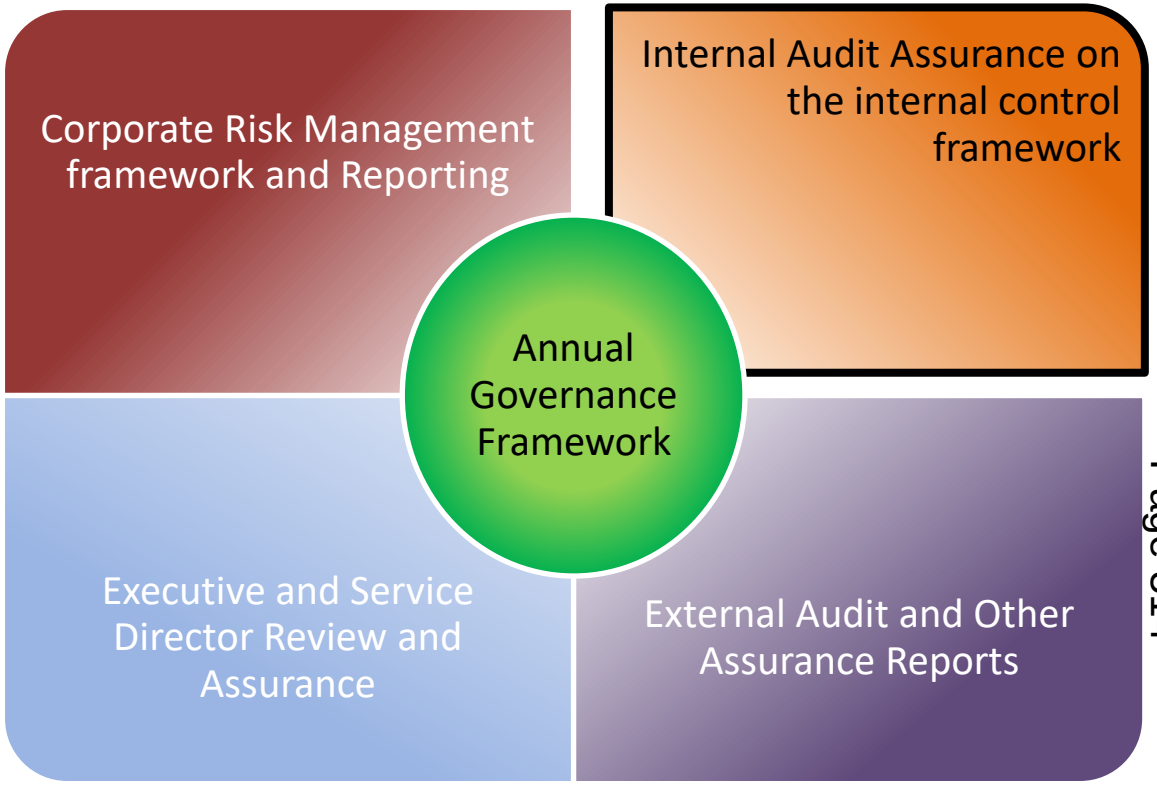
The Annual Governance Statement (AGS) provides assurance that

- the Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

- be prepared by senior management and signed by the Chief Executive and Chair of the Audit Committee;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon;
  - The Authority;
  - Audit Committee;
  - Risk Management;
  - Internal Audit;
  - Other reviews / assurance.

Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance



The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Framework, Executive and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.

Appendix 5 - Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council.

In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- a statement on the effectiveness of the system of internal control in meeting the Council's objectives:
- a comparison of internal audit activity during the year with that planned;
- a summary of the results of audit activity and;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

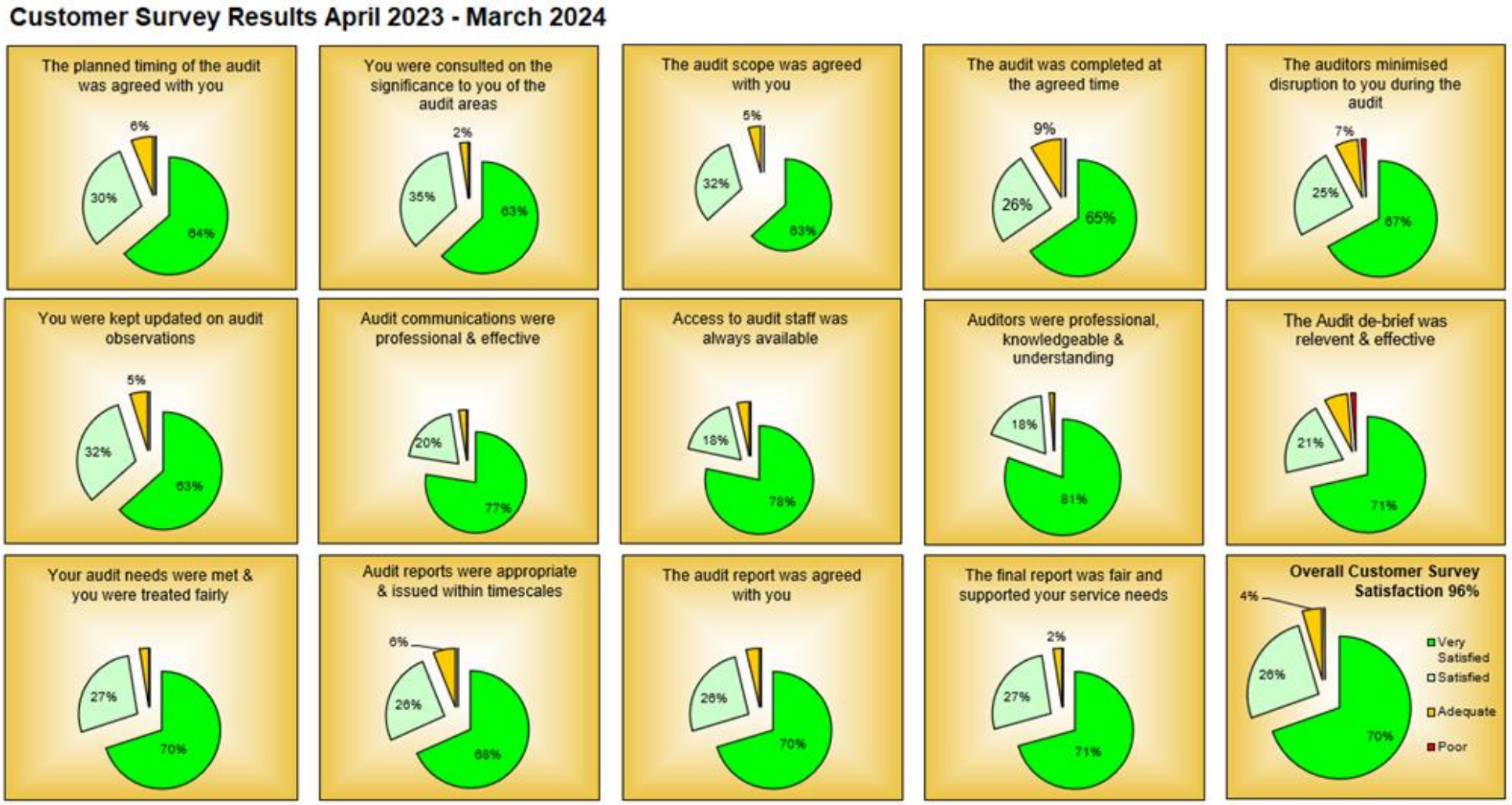
The extent to which our work has been affected by changes to the audit plan are shown in Appendix 1.

The overall audit assurance will have to be considered in light of this position.

In assessing the level of assurance to be given the following have been taken into account:

- all audits completed during 2023-24, including those audits carried forward from 2022-23;
- any follow up action taken in respect of audits from previous periods;
- any significant recommendations not accepted by management and the consequent risks;
- the quality of internal audit's performance;
- the proportion of the Council's audit need that has been covered to date;
- the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;
- any limitations that may have been placed on the scope of internal audit.

Appendix 6 - Customer Service Excellence



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Devon Audit Partnership	Confidentiality and Disclosure Clause
The Devon Audit Partnership has been formed under a joint committee arrangement. We aim to be recognised as a high-quality assurance service provider. We work with our partners by providing a professional assurance services that will assist them in meeting their challenges, managing their risks, and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at Tony.d.Rose@devon.gov.uk	This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies. This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

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Audit and Governance Committee

Date of meeting:	23 July 2024
Title of Report:	**Internal Audit Strategy and Charter 2024/25**
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Interim Service Director for Finance)
Author:	Louise Clapton, Audit Manager
Contact Email:	Louise.clapton@plymouth.gov.uk
Your Reference:	AUD/LC
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

One of the requirements of the Public Sector Internal Audit Standards is that the purpose, authority and responsibility of the internal audit activity are formally defined in an internal audit charter and strategy, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.
The Internal Audit Charter and the Internal Audit Strategy was last bought before the Audit and Governance Committee in July 2023 and the updated Charter and Strategy is in the accompanying documents.

The Audit Strategy is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities. It communicates the contribution that Internal Audit makes to the organisation and includes:

- Internal audit objectives and outcomes,
- How the Head of Devon Audit Partnership will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement,
- How Internal Audit's work will identify and address significant local and national issues and risks, How the service will be provided, and
- The resources and skills required to deliver the Strategy.

The Strategy should be approved, but not directed, by the Audit and Governance Committee.

The Internal Audit Charter and Strategy complies with the mandatory requirements of the Public Sector Internal Audit Standards.

Delivery of the Internal Audit Service will be by the Devon Audit Partnership.

Recommendations and Reasons
The Audit and Governance Committee agree the Internal Audit Charter & Strategy for the year 2024/25.
Reason:
A requirement of the Public Sector Internal Audit Standards is that the purpose, authority and responsibility of internal audit activity are formally defined in an internal audit charter and strategy.

Alternative options considered and rejected
None, as failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations 2015.

Relevance to the Corporate Plan and/or the Plymouth Plan
The internal audit service assists the Council in delivering robust standards of public accountability and probity in the use of public funds and has a role in promoting high standards of service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.

Our work supports delivery of the values and priorities set out in Corporate Plan by ensuring that resources are used wisely, and service areas meet the needs of residents, businesses and communities through the delivery of quality public services.

Implications for the Medium Term Financial Plan and Resource Implications:
Delivery of the audit plan assists the council in the provision of quality public services which also demonstrate value for money. It has also helped ensure an effective control environment is maintained in these financially challenging times.

Financial Risks
None

Carbon Footprint (Environmental) Implications:
No impacts directly arising from this report.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:
** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*
No impacts directly arising from this report. The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.

Appendices
**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicab *If some/all of the information is confidential, you must indicat why it is not for publication by virtue of Part 1of Schedule 12 of the Local Government Act 1972 by ticking the relevant bo*						
		1	2	3	4	5	6	7
A	DAP Internal Audit Strategy and Charter 2024/25							

Background papers:

**Add rows as required to box below*

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

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

Sign off:

Fin	DJN.24.25.026	Leg	LS/0000360 9/3/LB/04/07/24	Mon Off	Click here to enter text.	HR	Click here to enter text.	Assets	Click here to enter text.	Strat Proc	Click here to enter text.
Originating Senior Leadership Team member: David Northey, Interim Service Director for Finance											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 19/06/2024											
Cabinet Member approval: Cllr Lowry, via email. Date approved: 02/07/2024											

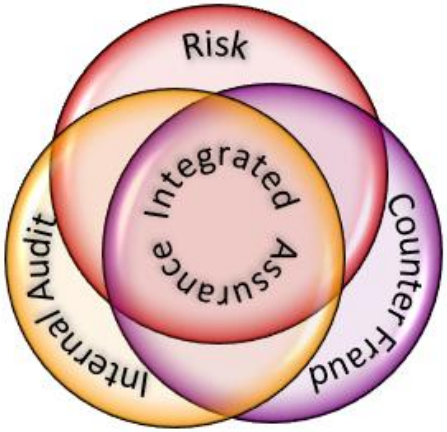
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Internal Audit Strategy and Charter 2024/25

Plymouth City Council
Audit & Governance Committee

July 2024

Official



Louise Clapton
Audit Manager

Auditing for achievement

One of the requirements of the Public Sector Internal Audit Standards is that the purpose, authority and responsibility of the internal audit activity are formally defined in an internal audit charter and strategy, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.

This Internal Audit Charter and Strategy is referred to Plymouth City Councils Audit and Governance July 2024 Committee for approval.

MISSION
The Mission of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight across its partners.

TERMS OF REFERENCE
This document details the **Internal Audit Charter** and **Internal Audit Strategy** for Plymouth City Council as required by the Public Sector Internal Audit Standards (PSIAS). The Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the PSIAS. The accompanying Audit Strategy is designed to deliver the requirements outlined in the Charter.

DEFINITIONS
Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".
The PSIAS set out the requirements of a 'Board' and of 'Senior Management'. For the purposes of the internal audit activity within The Council the role of the Board within the Standards is taken by the Council's Audit and Governance Committee and Senior Management is the Council's Leadership Team. They also make reference to the role of "Chief Audit Executive". For The Council this role is fulfilled by the Head of Devon Audit Partnership (HoDAP).

INDEX TO SECTIONS OF THE CHARTER AND STRATEGY

Charter

1. Statutory Requirements and Purpose of Internal Audit.
2. Professionalism, Ethics and Independence
3. Authority
4. Accountability
5. Responsibilities
6. Management
7. Internal Audit Plan and Resources
8. Internal Audit Reporting
9. Relationship with the Audit & Governance Committee and Non Conformance to the Charter
10. Quality Assurance and Improvement Programme

Strategy

1. Audit Strategy - Purpose
2. Annual Audit Opinion
3. Audit Planning & Delivery
4. Performance Management & Quality Assurance
5. Resources and skills
6. Staff Development and use of MKI

1. Statutory Requirements and Purpose of Internal Audit

Statutory Requirements

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

> *5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer responsible for the proper administration of its financial affairs. In The Council, the Director of Resources is the 'Section 151 Officer'. One way in which this duty is discharged is by maintaining an adequate and effective internal audit service.

The Purpose and Aim of Internal Audit

The role of Internal Audit is to understand the key risks of the Council, to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation, and contribute to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- Support the Section 151 Officer to discharge their statutory duties
- Contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- Support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- Provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Internal Audit for the Council is provided by Devon Audit Partnership. We aim to provide a high quality, professional, effective and efficient Internal Audit Service to the Members and service areas of the Council, adding value whenever possible.

2. Professionalism, Ethics and Independence

Being Professional

Devon Audit Partnership will adhere to the relevant codes and guidance. We adhere to the Institute of Internal Auditors' (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to The Council's relevant policies and procedures and the internal audit manual. Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

Our Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by IIA. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body, then he or she must also comply with the relevant requirements of that organisation.

The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1) Principles that are relevant to the profession and practice of internal auditing.
2) Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others and applies to both individuals and entities that provide internal auditing services. The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

Being Independent

Internal Audit should be independent of the activities that it audits. The status of Internal Audit should enable it to function effectively. The support of the Council is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in their own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Governance Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Chief Executive, the S.151 Officer and the Chair of the Governance Committee.

The Council should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Auditors should be mindful of being independent, and must:

- Have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Partnership / Council, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.

3. Authority

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that:

- Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:
  - 2a make available such documents and records; and
  - 2b supply such information and explanations as are considered necessary by those conducting the internal audit.
  - 3 in this regulation "documents and records" includes information recorded in an electronic form.

In addition, Internal Audit, through the Head of Devon Audit Partnership (HoDAP), where deemed necessary, will have unrestricted access to:

- The Chief Executive
- Members
- Individual Directors and Heads of Service
- Section 151 Officer
- Monitoring Officer
- All authority employees
- All authority premises.

4. Accountability

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each full partner. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. DAP operates within a framework that allows:

- Unrestricted access to senior management and members.
- Reporting in its own name.
- Separation from line operations.

Every effort will be made to preserve objectivity by ensuring that all audit members of audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The HoDAP fulfils the role of Chief Audit Executive at the Authority and will confirm to the Audit and Governance Committee, at least annually, the organisational independence of the internal audit activity. The Section 151 Officer will liaise with the HoDAP and is therefore responsible for monitoring performance and ensuring independence.

The HoDAP reports functionally to the Governance Committee on items such as:

- Approving the internal audit charter;
- Approving the risk based internal audit plan and resources;
- Receiving reports from the Head of Devon Audit Partnership on the section's performance against the plan and other matters;
- Approving the Head of Devon Audit Partnership's annual report'
- Approve the review of the effectiveness of the system of internal audit.

The HoDAP has direct access to the Audit and Governance Committee, and has the opportunity to meet privately with Committee members if required.

5. Responsibility

The Chief Executive, Directors and other senior officers are responsible for ensuring internal control arrangements are sufficient to address the risks facing their services. The HoDAP will provide assurance to the Section 151 Officer regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

The HoDAP will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping them meet their obligations under the Local Government and Housing Act 1989 and the Council's Constitution. The HoDAP will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Internal Audit responsibilities include:

- Examining and evaluating the soundness, adequacy and application of the Council's systems of internal control, risk management and corporate governance arrangements;
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Reviewing the systems established to ensure compliance with policies, plans, procedures and regulations which could have a significant impact on operations;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management;
- Appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- Working in partnership with other bodies to secure robust internal controls that protect the Council's interests;
- Advising on internal control implications of new systems;
- Providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation; and,
- Reporting significant risk exposures and control issues identified to Audit and Governance Committee and to senior management, including fraud risks, governance issues.

6. Management

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:

- Be appropriately qualified;
- Determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- Regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- Include in the plan the approach to using other sources of assurance if appropriate;
- Be accountable, report and build a relationship with the Council's Audit and Governance Committee and S.151 Officer; and
- Monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

The HoDAP is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The HoDAP should also have the opportunity for free and unfettered access to the Chief Executive and meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

7. Internal Audit Plan and Resources

At least annually, the HoDAP will submit to the Governance Committee a risk-based internal audit plan for review and approval. The HoDAP will:

- Develop the annual plan through discussions with senior management based on an understanding of the significant risks of the organisation;
- Submit the plan to the Audit and Governance Committee for review and agreement;
- Implement the agreed audit plan;
- Maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan and carry out continuous review of the development and training needs;
- Maintain a programme of quality assurance and a culture of continuous improvement;

The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of internal audit will communicate the impact of resource limitations and significant interim changes to senior management and the Governance Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

A requirement of the Council's Anti-Fraud and Corruption Strategy is that the HoDAP be notified of all suspected or detected fraud, corruption or impropriety. All reported irregularities will be investigated in line with established strategies and policies. The audit plan will include sufficient resource to undertake proactive anti-fraud work. Internal audit activities will be conducted in accordance with Council strategic objectives and established policies / procedures.

Monitoring of internal audit's processes is carried out on a continuous basis by internal audit management. Council's members and management may rely on the professional expertise of the HoDAP to provide assurance. Periodically, independent review may be carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.

8. Internal Audit Reporting

The primary purpose of Internal Audit reporting is to provide to management an independent and objective opinion on governance, the control environment and risk exposure and to prompt management to implement agreed actions.

Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit and Governance Committee).

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment.

The aim of every Internal Audit report should be to:

- Give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and
- Recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report within 30 days, although this period can be extended by agreement. The response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken, this must also be stated. The HoDAP is responsible for assessing whether the manager's response is adequate.

Where deemed necessary, the Internal Audit report will be subject to a follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The HoDAP will:

- Submit periodic reports to the Governance Committee summarising key findings of reviews and the results of follow-ups undertaken;
- Submit an Annual Internal Audit Report to the Governance Committee, incorporating an opinion on the Council's control environment. This will also inform the Annual Governance Statement.

9. Relationship with the Audit & Governance Committee and Non Conformance to the Charter

The Council's Governance Committee will act as "the Board" as defined in the Public Sector Internal Audit Standards (PSIAS),

The Specific Functions of the Governance Committee are set out in the Council's Constitution.

The HoDAP will assist the Committee in being effective and in meeting its obligations. To facilitate this, the HoDAP or suitable representative will:

- Attend meetings, and contribute to the agenda;
- Ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework

Any instances of non-conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Governance Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Governance Committee on behalf of the Council on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Governance Committee.

10. Quality Assurance and Improvement Programme

The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor. For DAP this was conducted at the end of 2021 by the Head of Southwest London Audit Partnership, and the Chief Internal Auditor of Orbis (a partnership organisation covering Brighton and Hove, East Sussex, and Surrey County Council).

The assessment result was that "*Based on the work carried out, it is our overall opinion that DAP generally conforms** with the Standards and the Code of Ethics".

The report noted that "*As a result of our work, a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion*".

DAP is actively addressing these improvement areas which includes "Develop the use of data analytics; rotate staff across clients; consider how to support the development of audit committees; consider a range of cross partner audits and share best practice; review current arrangements for the delivery of IT audit to ensure maximum value; develop the role of Senior Auditors".

* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

1. Audit Strategy – Purpose

The PSIAS require the HoDAP to produce an Audit Charter setting out audits purpose, authority and responsibility. We deliver this through our Audit Strategy which:

- Is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- Should be approved, but not directed, by the Governance Committee.
- Will communicate the contribution that Internal Audit makes to the organisation and should include:
    - Internal audit objectives and outcomes;
    - How the HoDAP will form and evidence their opinion on the governance, risk and control framework to support the Annual Governance Statement;
    - How Internal Audit's work will identify and address significant local and national issues and risks;
    - How the service will be provided, and
    - The resources and skills required to deliver the Strategy.

The Strategy should be kept up to date with the organisation and its changing priorities.

2. Annual Audit Opinion on the Governance, Risk and Control Framework

A key objective of Internal Audit is to communicate to management an independent and objective opinion on the governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks will be brought to the attention of the S.151 Officer as and when they arise. Regular formal meetings will be held to discuss issues arising and other matters.

The HoDAP will report progress against the annual audit plan and any emerging issues and risks to the Governance Committee.

The HoDAP will also provide a written annual report to the Governance Committee, timed to support their recommendation to approve the Annual Governance Statement, to the Council.

The Head of Devon Audit Partnership's annual report to the Governance Committee will:

- Provide an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- Draw attention to any issues the HoDAP judges particularly relevant to the preparation of the Annual Governance Statement;
- Compare audit work actually undertaken against the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- Comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

3. Audit Planning & Delivery, including local and national risks

The audit planning process includes the creation and ongoing revision of an “audit universe”. This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe will include a risk assessment scoring methodology that takes account of a number of factors including: the Council’s own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This will inform the basis of the resources allocated to each planned audit area.

The results from the audit universe will be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

Assignment Planning & Delivery

Further planning and risk assessment is required at the commencement of each individual audit assignment to establish the scope of the audit and the level of testing required.

The primary objective of the audit is to provide management with an independent opinion on the risk and control framework through individual audits in the audit plan. Individual audits will be completed using our methodology in our Audit Manual to the standards set by PSIAS, to independently evaluate the effectiveness of internal controls. Our audit assignment report will communicate our opinion and include agreed management action, where required, to improve the effectiveness of risk management, control and governance processes.

4. Performance Management & Quality Assurance

The PSIAS state that the HoDAP should have in place an internal performance management and quality assurance framework; this framework must include:

- A comprehensive set of targets to measure performance. These should be regularly monitored and the progress against these targets reported appropriately.
- Seeking user feedback for each individual audit and periodically for the whole service.
- A periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the DAP Committee.
- Internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self-assessment).
- An action plan to implement improvements.

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed for each individual audit; and for the Internal Audit Service as a whole. The HoDAP will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see the following pages).

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from auditees; senior leadership; and executive management. The results from our feedback will be reported to Senior Management and the Governance Committee in the half year and annual reports.

The HoDAP is expected to ensure that the performance and the effectiveness of the service improves over time, in terms of both the achievement of targets and the quality of the service provided to the user.

Performance Indicator	Full year target
Percentage of Audit Plan completed	90%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days from final debrief)	90%

Internal Audit Performance Monitoring Targets

Task	Performance measure
Agreement of Annual audit plan	Agreed by Chief Executive, Leadership Team and Governance Committee prior to start of financial year
Agreement of assignment brief	Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.
Undertake audit fieldwork	Fieldwork commenced at agreed time
Verbal debrief	Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.
Draft report	Promptly issued within 15 days of finishing our fieldwork. Report is “accurate” and recommendations are both workable and useful.
Draft report meeting (if required)	This meeting was useful in understanding the audit issues
Annual internal audit report	Prepared promptly and ready for senior management consideration each June. Report accurately reflects the key issues identified during the year.
Presentation of internal audit report to Management and Audit and Governance Committee.	Presentation / update is clear and concise. Presenter was knowledgeable on the subject are and able to answer questions posed by management / members.
Contact with the audit team outside of assignment work.	You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person. Emails, letters, telephone calls are dealt with promptly and effectively.

Other indicators measured as part of the audit process that may be captured and reported to senior management.

DAP Overall Performance is reported to the DAP Committee three times per year.

5. Resources and skills

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Chief Audit Executive (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

DAP currently has c.45 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter), we also operate from offices at Torridge DC (Bideford), Mid Devon DC (Tiverton) and South Hams, West Devon Councils (Totnes). The Partnership employs specialists in areas such as Computer Audit, Contracts Audit and Counter Fraud Investigators as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff includes: -

- 2 x Chartered Accountants
- 13 x qualified IIA (CMIIA, PIIA, IIA Cert)
- 3 x qualified computer audit (QICA, CISA, ITIL)
- 2 x risk management (IRM)
- 9 x AAT (qualified and part qualified)
- 4 x ACFS / ACFT (accredited counter fraud specialists)
- 1 x ACFM (accredited counter fraud manager)
- 3 x ILM (Institute of Leadership & Management) level 5 or above
- 10 x Apprentices/Students/Studying (Finance, Data Analyst, IIA, Business Admin)

6. Staff Development and use of Ideagen

Staff Skills and Development

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

Internal Audit Software System

Devon Audit Partnership uses Ideagen as an audit management system. This system allows Partnership management to effectively plan, deliver and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.

Audit and Governance Committee

Date of meeting:	23 July 2024
Title of Report:	**Internal Audit Management Action Tracker Q1 2024/25**
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Interim Service Director for Finance)
Author:	Louise Clapton, Audit Manager
Contact Email:	Louise.clapton@plymouth.gov.uk
Your Reference:	AUD/LC
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report
To provide Audit and Governance Committee with an update on the implementation of management action agreed to address observation highlighted in Internal Audit reports.

Recommendations and Reasons
The Audit and Governance Committee are asked to note the implementation of internal audit recommendations.

Reason: To update members on audit recommendations

Alternative options considered and rejected
None as the Committee agreed to receive an update of all audit recommendations.

Relevance to the Corporate Plan and/or the Plymouth Plan
The implementation of all agreed audit recommendations are fundamentally linked to delivering the priorities within the Council's Corporate Plan and assists with ensuring limited resources are allocated to priorities which will maximise the benefits to the residents of Plymouth.

Implications for the Medium Term Financial Plan and Resource Implications:
Delivery of the audit plan assists the council in the provision of quality public services which also demonstrate value for money. It has also helped ensure an effective control environment is maintained in these financially challenging times.

Financial Risks
Failure to deliver the audit recommendations may have financial consequences.

Carbon Footprint (Environmental) Implications:
No impacts directly arising from this report.

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

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

No impacts directly arising from this report. The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicab *If some/all of the information is confidential, you must indicat why it is not for publication by virtue of Part 1of Schedule 12 of the Local Government Act 1972 by ticking the relevant bo.*						
		1	2	3	4	5	6	7
A	Internal Audit Management Action Tracker Q1 2024/25							

Background papers:

**Add rows as required to box below*

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

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

Sign off:

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Originating Senior Leadership Team member: David Northey, Interim Service Director for Finance

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

Date agreed: 19/06/2024

Cabinet Member approval: Cllr Lowry, via email

Date approved: 02/07/2024

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devon audit partnership

Internal Audit

Management Action Tracker

Q1 2024/25

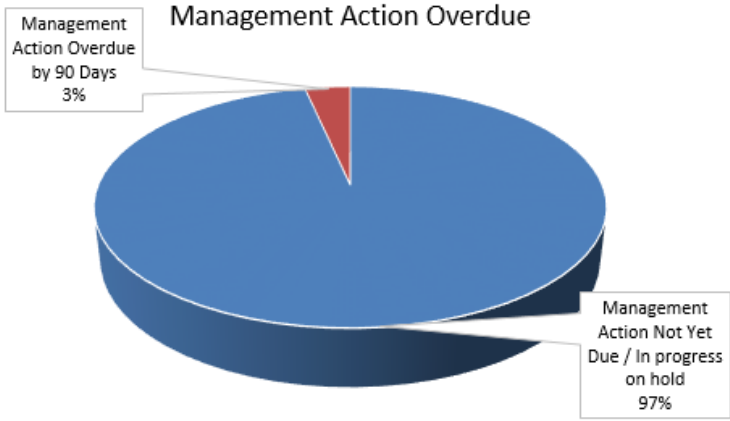
Plymouth City Council

Auditing for achievement

Plymouth City Council Audit Recommendation – Management Action Progress to 31/05/2024

In accordance with Public Sector Internal Auditing Standards, PSIAS, the chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. As of 31st May 2024 there were fourteen 'Limited Assurance' audits that had management action outstanding.

This table sets out all those Limited Assurance audits, the number of high and medium priority recommendations made, details of how many of those recommendations have management action outstanding, those that await a significant control change and those that have been outstanding for more than 90 days of the agreed target implementation date agreed at the time the audit report was finalised. Of 123 management actions agreed 36 (29%) have been implemented and 87 (71%) remain outstanding, of which 3 (3%) are now overdue.



Directorate	Audit Area (Date report issued)	Assurance Opinion	Number of Recommendations		Management Action Outstanding		Management Action In Progress – on hold due to significant control change target date revised or audit due.		Management Action overdue by 90 days+	
			High	Medium	High	Medium	High	Medium	High	Medium
Adults Health and Communities	Adult Social Care Payment System 2023/24	Limited Assurance	-	4	-	-	-	-	-	-
Adults Health and Communities	Client Financials Services (CFS)	Limited Assurance	5	7	3	4	3	3	-	1
Children's	Special Guardianship Orders F/Up 2023/24	Limited Assurance	2	5	1	4	-	-	-	-
Childrens	CYPF Additional Spend	Limited Assurance	2	5	1	4	1	4	-	-
Childrens	SEND Governance 2023/24	Limited Assurance	3	2	3	1	-	-	2	-
Childrens	SEND Decision Making 2023/24	Limited Assurance	3	7	3	7	-	-	-	-
Childrens	SEND Commissioning and Contracting 2023/24	Limited Assurance	9	3	9	3	-	-	-	-

Directorate	Audit Area (Date report issued)	Assurance Opinion	Number of Recommendations		Management Action Outstanding		Management Action In Progress – on hold due to significant control change target date revised or audit due.		Management Action overdue by 90 days+	
			High	Medium	High	Medium	High	Medium	High	Medium
Childrens	SEND Monitoring and Evaluation 2023/24	Limited Assurance	2	5	2	5	-	-	-	-
Resources	Part 2 Report	Limited Assurance	2	8	2	1	-	-	-	-
Resources	Debtors 2023/24	Limited Assurance	5	5	4	4	-	1	-	-
Resources	Declarations of Interest 2020/21*	Limited Assurance	-	7	-	7	-	7	-	-
Resources	Disclosure and Barring Service (DBS)	Limited Assurance	5	9	4	8	4	8	-	-
Resources	Hand Arm Vibration Syndrome 2022/23	Limited Assurance	3	7	-	2	-	2	-	-
Resources	IR35 Off-Payroll Working	Limited Assurance	3	5	2	3	2	3	-	-
		Total	**123**		**87**		**38**		**3**	

* It should be noted that this audit report was not finalised but action is being taken and will be subject to follow up audit in 2024/25.

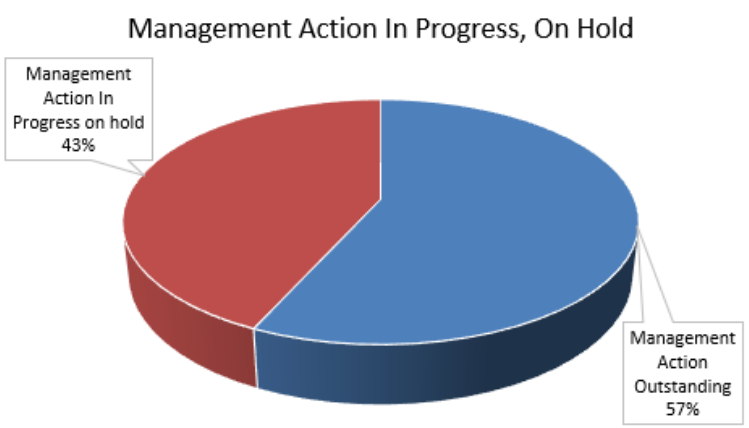
Plymouth City Council Audit Recommendation – Status of overdue management action.

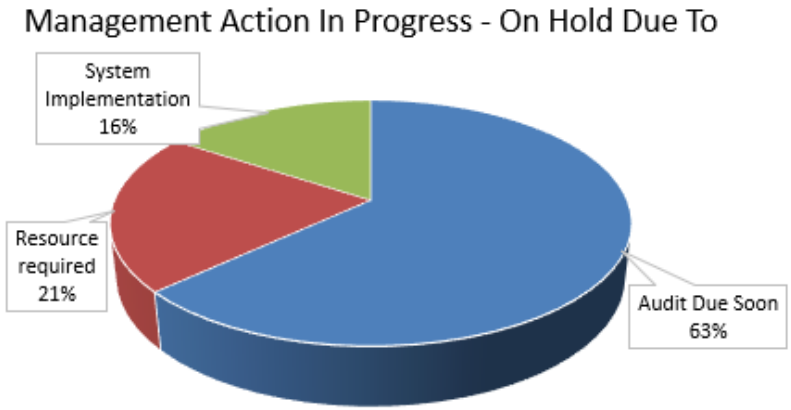
This table provides an indication of the current progress of management action taken to implement overdue audit recommendations and relevant audit updates to note.

Directorate	Audit Area	Assurance Opinion	Status of Progress for Management Action overdue by 90 days+				Internal Audit Update / Comment
			High		Medium		
			Management Action Not Yet Taken	Partially Implemented	Management Action Not Yet Taken	Partially Implemented	
People	Client Financial Services	Limited Assurance	-	-	1	-	Outstanding management action relates to a joint training programme between PCC and LWSW. To cover complex and potential problem areas.
Children's Services	SEND Governance	Limited Assurance	2	-	-	-	Outstanding management action relates to implementation of a: • Joint commissioning strategy for children and young people with SEND and adults with LD. • SEND Communication Strategy.
			2	**-**	**1**	**-**	
Total management actions outstanding 90 days +			**3**				

Plymouth City Council Audit Recommendation – Status of management action in progress, on hold.

Of the 87 management actions outstanding 38 are currently in progress on hold the charts diagram below provides summarises the reason for this position.





Audit and Governance Committee

Date of meeting:	23 July 2024
Title of Report:	**Counter Fraud Services Annual Report 2023-24**
Lead Member	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director	David Northey (Service Director for Finance)
Author:	Ken Johnson (Senior Assurance Manager DAP)
Contact Email :	Ken.johnson@plymouth.gov.uk
Your Reference:	AR/CFST/23-24
Key Decision :	No
Confidentiality:	Part I - Official

Purpose of Report
This report summarises the work carried out during the financial year 2023/24 by the Counter Fraud Services Team at Devon Audit Partnership to support the Council and counter fraudulent threats to the Council's budget and reputation, as well as providing reassurance to the residents of Plymouth that the public purse is being protected appropriately.

Recommendations and Reasons
The Audit Committee is recommended to note the Annual Report.

Alternative options considered and rejected
Effective counter fraud processes are an essential element of internal control and as such are an important element of good corporate governance. For this reason, alternative options are not applicable.

Relevance to the Corporate Plan and/or the Plymouth Plan
Maintaining sound systems of internal control and protecting the public purse ensures that those who legitimately need the support and services of the Council get them and this therefore supports the achievement of corporate and service objectives.

Implications for the Medium-Term Financial Plan and Resource Implications:
None arising specifically from this report.

Carbon Footprint (Environmental) Implications:
None arising specifically from this report

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

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

The Counter Fraud Services Team specifically support the council's overall governance arrangements.

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	**Exemption Paragraph Number** (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
		1	**2**	**3**	**4**	**5**	**6**	**7**
A	Counter Fraud Services Annual Report							

Background papers:

**Add rows as required to box below*

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

Title of any background paper(s)	**Exemption Paragraph Number** (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
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Sign off:

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Originating Senior Leadership Team member: David Northey

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

Date agreed: 05/06/2024

Cabinet Member approval: Via email

Date approved: 17/06/24

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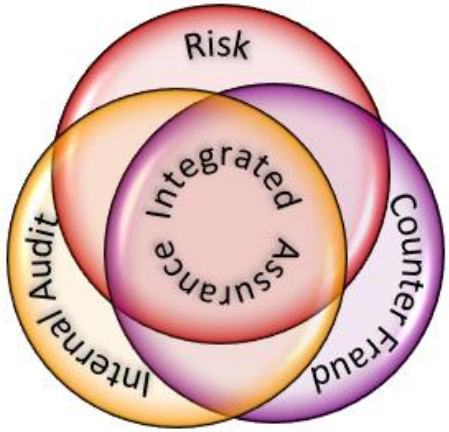
Counter Fraud

Audit and Governance Committee

Annual Report – Counter Fraud 2023/2024

Plymouth City Council

July 2024
Official



Support, Assurance and Innovation

1. Executive Summary

1.1 The following is the Devon Assurance Partnership (DAP) Counter Fraud Services Team Annual Report and Update for the financial year 2023/24. It outlines the counter fraud work undertaken in support of Plymouth City Council and its continued efforts to ensure that appropriate Governance processes are in place. This includes acknowledging the threats posed by fraud, preventing and pursuing those who would look to commit fraud and providing assurance that the Council and the public are being protected from fraud.

1.2 In the past twelve months the Counter Fraud Services Team have –

- ✓ Received and processed 293 allegations of fraud and related offences against the Council and its citizens.
- ✓ Helped the Council generate calculated savings of £1,399,349.43 in all areas of Council business.
- ✓ Supported the Council's commitment to the National Fraud Initiative, by checking matches and supporting the relevant departments accordingly. Checks against higher risk matches have resulted in a current savings figure against this exercise of £162,743.00.
- ✓ Undertaken rolling monthly data analysis exercises to identify potential fraud and error in multiple Council systems.
- ✓ Provide professional support and advice / guidance for all levels within the Council on technical fraud matters.

1.3 It is good to be able to report that much good work has again been carried out across the Council and that fraud awareness and counter fraud activity is increasing and we will continue to encourage this work throughout the next financial year.

2. Introduction

2.1 The Counter Fraud Services Team within Devon Assurance Partnership (DAP) continues to support and facilitate the development of the Council's Counter Fraud processes and capability, which improves its resilience to fraud and related offences.

2.2 The ongoing work will assist all Council staff, management, and Members in identifying fraud and the risks associated with it. The aim is to ultimately provide the highest level of assurance possible utilising a joined-up service in association with our colleagues involved in Internal Audit, and the Council itself to minimise fraud loss to the lowest level possible.

2.3 Reporting Counter Fraud activity is part of good Governance, and regular updates on the Council's Counter Fraud activity improves accountability; this report aims to meet this requirement and the requirements for such reports in accordance with the Councils own Anti-Fraud, Bribery and Corruption Policy and the accompanying Strategy and Response Plan.

2.4 It is always worth reiterating that fraud is by definition a crime and should not be tolerated. Any fraud against Plymouth City Council is a fraud against the public purse. We will continue to acknowledge the threat from fraud, build processes and policies that will prevent fraud and pursue those who would commit fraud to ensure that the public retain confidence in the Council. Collaboration across the public sector will continue and strengthen under the current working arrangements through DAP and its partners.

3. Fraud response / resilience assessment.

3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) reports that local authorities have achieved success by taking a structured response to fraud and that they now need to respond to an ever increasing fraud threat, and further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and focused on the key changes that will make the most difference.

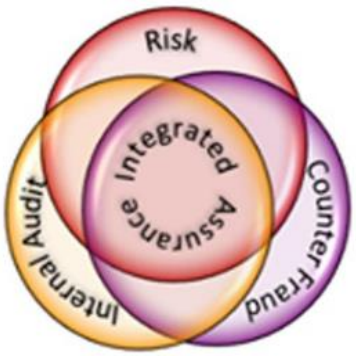
3.2 A local authority is self-regulating in respect of counter fraud. It should aim to show that it undertakes realistic self-assessment and has identified and understands the major risks. It should acknowledge the problems and put in place plans which can demonstrate that it is taking action with visible outcomes. It should aim to create a transparent process and report the results to the corporate management team and those charged with governance.

3.3 Devon Assurance Partnership will continue to encourage best practice in line with CIPFA guidance and enable the Council to share knowledge and understanding of the threats faced across the region and nationally by actively engaging with the West of England Fraud Group and the Fighting Fraud and Corruption Locally Regional Group. It will also integrate other best practice as and when these are discovered by the team or by others within the counter fraud community.

3.4 The 23/24 assessment remains unchanged and at the same high standard, however a more granular review through various audits is proving effective and complies with the integrated approach that DAP is undertaking going forwards. (See Appendix 1)

4 Integration of Counter Fraud, Risk Management, and Internal Audit.

4.1 The integration between these assurance arms continues to evolve and strengthen. Regular meetings between the relevant managers and staff ensure that cross collaboration is growing and improving so that auditors are aware of fraud and risk issues. Counter Fraud support is now regularly sought during internal audits to ensure that value is added and maximum coverage is ensured. (*See Appendix 1*).



4.2 Regular communication between Devon Assurance Partnership and the Service Director for Finance (Section 151 Officer) ensures that direction, clarity and flexibility take place and continue to improve.

4.3 We are looking to assist and support PCC in its effective overall Risk Management processes to ensure that we can provide maximum assurance going forward. This remains an ongoing objective.

5 National Fraud Initiative

5.1 The National Fraud Initiative (NFI) is an exercise run and reported on by the Cabinet Office; it matches electronic data within and between public and private sector bodies to prevent and detect fraud and error.

Cabinet Office

5.2 Devon Assurance Partnership acts as the point of contact between the Cabinet Office and the Council in matters relating to the National Fraud Initiative, this being a mandatory Biannual exercise in fraud prevention and detection.

5.3 The Biannual National Exercise for 2022/23 has been completed providing maximum assurance that potential fraud losses are minimised.

5.4 In the Chartered Institute of Public Finance and Accountancy (CIPFA) survey in 2019, the most common types of fraud faced by all Councils in England and Wales were identified as per the graphic below, it remains imperative that the Council continues to maximise counter fraud activity in these areas to ensure the minimisation of any loss to fraud.

5.5 The last two National Exercises assisted the Council to identify changes in entitlement which resulted in an estimated (Figures supplied by the Cabinet Office) total of £222,743.00 in potential savings.



5.6 The next National Exercise will start with data being supplied to the Cabinet Office between September and December 2024. DAP will assist the Council in ensuring it complies with all data requirements and evidence and uploading to the secure NFI website.

5.7 Departments that complete the returned matches show that they are actively involved reducing fraud risk as well making sure that wherever possible their data management is compliant with the Data Protection Act 2018 by ensuring -

- ✓ **Data minimisation** by ensuring that PCC only holds data that is required.
- ✓ **Accuracy** by ensuring that the data held is as accurate as it can reasonably be expected to be.
- ✓ **Data retention periods**, showing that data is not being held longer than is necessary for its intended use.

6 Investigations and other ongoing work

6.1 In the past financial year, the Counter Fraud Services (CFS) Team have received and or generated 293 referrals covering the following areas of Council Business.

- ✓ Tenancy Fraud (involving our partner Registered Social Landlords)
- ✓ Blue Badge Fraud
- ✓ Parking Permits
- ✓ Concessionary Travel
- ✓ Council Tax Support / Single Person Discount
- ✓ Business Rates
- ✓ Internal

6.2 The CFS team have 33 live investigations *(details of individual investigations cannot be disclosed*

due to the sensitive nature of the information), and we continue to support service areas that require data analysis and monitoring.

6.3 We continue to regularly pro-actively cross check data sets within the Council in order to reduce ongoing fraud and error. In 2023/24 this resulted in 1058 matches, the savings from which are included in overall recordable savings in 7.1 below.

6.4 Regular reports and updates from varying sources such as the National Anti-Fraud Network (NAFN) and the National Cyber Security Centre (NCSC) are circulated across the Council by the Counter Fraud Services team to ensure knowledge and awareness are kept at levels suitable for the protection of the public purse and the public themselves.

6.5 We are committed to actively drive the risk assessment for fraud within the Council, to establish where the highest-level threats are and to ensure that wherever possible the Council is able to formally;

- ✓ Acknowledge the threat from fraud.
- ✓ Identify the risks.
- ✓ Develop a strategy of pro-active and responsive counter fraud work that fits with the Councils wider objectives and goals.
- ✓ Assist in assuring correct resources are applied to issues identified.
- ✓ Once the Fraud Risk Management process is embedded, information will be included in future Counter Fraud Report.

7 Recordable savings

7.1 In the current financial year 2023/24 the CFST have identified £1,399,349.43 savings (calculated using national indicators supplied by the Cabinet Office) across the Council and it is anticipated that further comparable savings will continue to be realised in 24/25. (NFI savings are not included)

7.2 In the nine years that the Council has been recording 'Cashable and Non-Cashable' savings related to fraud it has achieved just over £10.8 million in savings across all areas of business. This is a significant sum and continues to justify the Council's robust approach to countering fraud and re-assures the general public that Plymouth City Council is serious about protecting the public purse its assets and its citizens.

7.3 National Fraud Initiative savings from the past 2 biannual exercises at the time of writing this report stand at a further £222,743.00. Not included in the figure in 7.1.

7.4 Fraud is by its very nature a hidden offence and therefore it must be assumed that the savings made and shown here are potentially the 'tip of the iceberg' and that further savings are obtainable. The higher the awareness and the more assets that are available to address this issue, the higher the potential savings figures will be in the future.

8 Further information for Members

8.1 The Anti-Fraud Bribery and Corruption Policy, the Anti-Fraud, Bribery and Corruption Strategy and Response Plan are due for update.

There has been no significant change in legislative or procedural requirements at this point in time in respect of the Anti-Fraud Policy, Strategy and Response Plan, however legislative change and or guidance from HM Government is imminent in respect of new failure to prevent fraud offence meant to hold organisations to account if they profit from fraud committed by their employees. This will improve fraud prevention and protect victims.

Guidance is now expected by the end of the summer 2024, the new legislation will take effect six months from the date that the guidance is issued. It is disappointing to note that the Local Government Association were asked to circulate a Consultation Document produced by HM Government to all Local Authorities last year, but this was not done and there is no explanation forthcoming for this oversight.

HM Government representatives have confirmed that many Councils and their Wholly Owned Subsidiaries will be in scope.

DAP will continue to update the Audit and Governance Committee on developments as and when they happen and update the relevant Policy and Strategy once the guidance has been obtained from HM Government.

9. Conclusion

9.1 As has been stated before, there is much excellent work being done by the Council, its staff and those within DAP in order to minimise the impact from fraudulent activity, this is to be commended and encouraged.

9.2 Over the coming twelve months further intelligent data driven initiatives, to save money and deal with potential fraud and error will be put forwards with a view to making Plymouth City Council a groundbreaking Council in the Counter Fraud arena.

9.3 Plymouth City Council continues to show that it is committed to improving its assurance position in respect of its fight against fraud and it has never been more important to minimise losses to fraud to protect Council Services and those they serve.

9.4 At a time when financial pressure has never been greater it is imperative that no stone is left unturned in the pursuit of those who would fraudulently draw services, assets, and money from the Council to the detriment of those in genuine need of support. We know that fraud disproportionately effects the most vulnerable in our society and we will continue to robustly support the Council in its efforts to protect its citizens from the impact and effects of fraud.



Ken Johnson
Senior Assurance Manager

Tony Rose
Head of Devon Assurance Partnership

Devon Assurance Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, North Devon, Torridge, South Hams, West Devon councils and Devon and Somerset Fire and Rescue. We aim to be recognised as a high-quality assurance service provider in the public sector.

We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at **tony.d.rose@devon.gov.uk**.

Confidentiality and Disclosure Clause - This report is protectively marked in accordance with the Government Security Classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

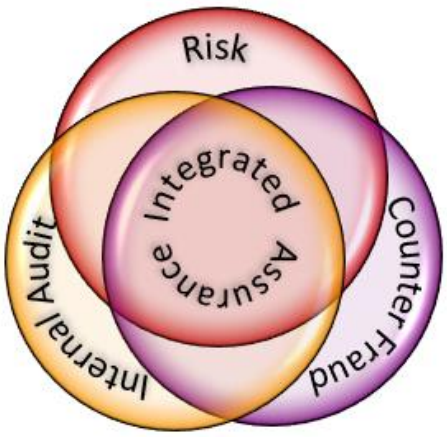
This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

(Fighting Fraud and Corruption Locally 2020)



Our Vision

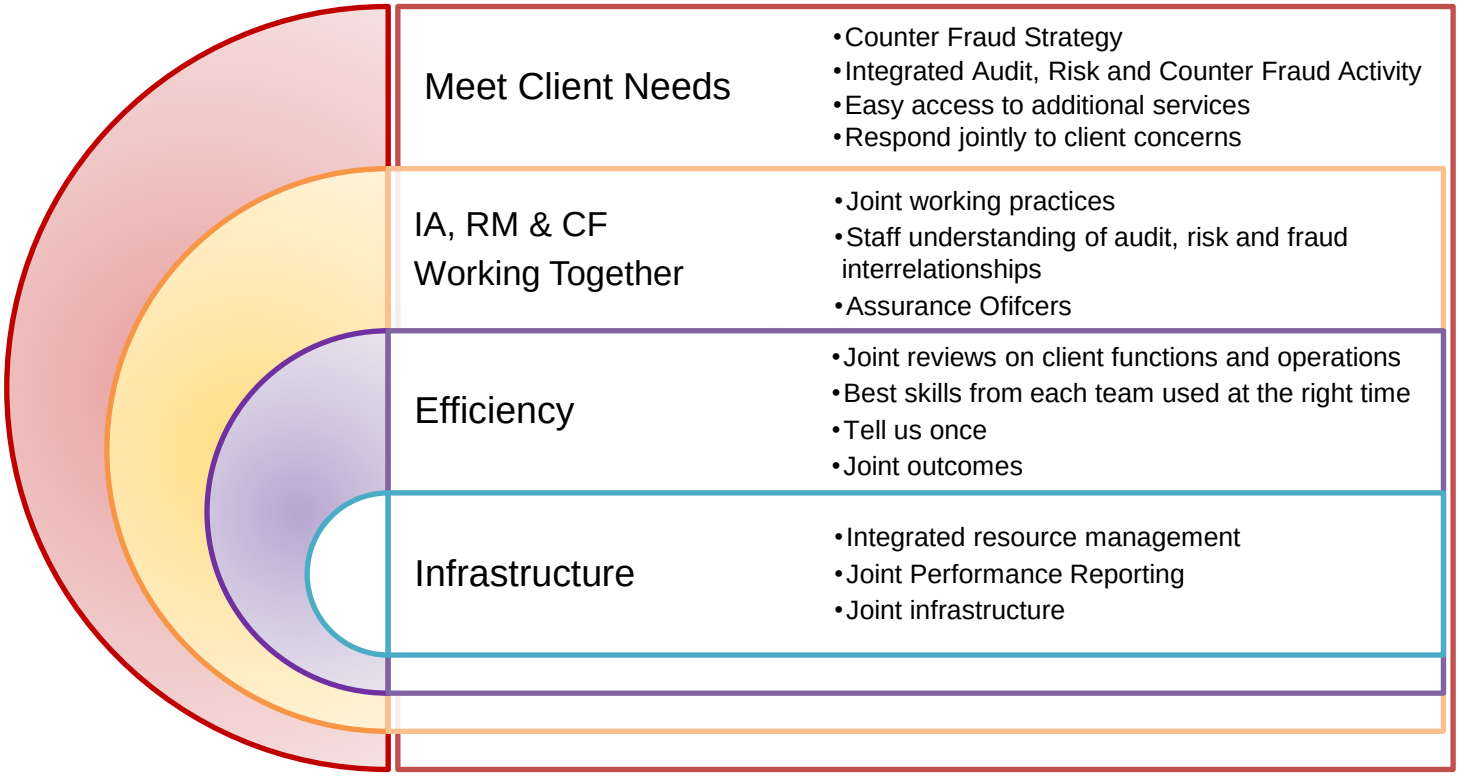
To be the leading provider of assurances services covering internal audit, counter fraud and risk management to public and not-for-profit organisations in the South West and beyond.



Operational delivery

- **Assurance Audit** Plans based on the best and most up to date risk information.
- Agile **Internal Audit** Plan
- Support interaction with Risk Management activity.
- **Counter Fraud** Team co-ordinate / undertake irregularities work coming through the **audit** plan.
- Potential irregularities triaged to **fraud or audit** for review. Use of data analytics.
- **Proactive fraud** work e.g. NFI, developing a delivery plan at client level.
- **Investigation** work to be completed jointly (where appropriate) to progress possible fraud review and strengthen internal control frameworks.
- **Audit** scoping to include **Counter Fraud** input.
- Three-way liaison confirming risk and control.
- **Integrated reporting** to be delivered where possible.

Our Goals



Audit and Governance Committee

Date of meeting:	23 July 2024
Title of Report:	**Annual Governance Statement (AGS) 2023/24**
Lead Member:	Cllr Tudor Evans, OBE, Leader
Lead Strategic Director:	David Northey, S. 151 Officer and Service Director for Finance
Author:	Ross Jago (Head of Governance, Performance and Risk
Contact Email:	Ross.jago@plymouth.gov.uk
Your Reference:	AGSRS/2022
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report
The purpose of the AGS, copy attached to this report at Appendix A, is to provide evidence of a continuous review of the Council's internal control and risk management processes, to provide assurance as to their effectiveness and to identify action being taken or planned to address any key weaknesses identified. It is a statutory document required by Accounts and Audit Regulations.

Recommendations and Reasons
The Committee is recommended to approve the Annual Governance Statement, alongside the Statement of Accounts, prior to signature by the Leader, Chief Executive and Service Director for Finance (S.151 Officer).

Alternative options considered and rejected
Not applicable

Relevance to the Corporate Plan and/or the Plymouth Plan
Maintaining sound systems of internal control and risk management enables the Council to monitor and review the key risks that may prevent it from achieving its corporate and service objectives.

Implications for the Medium Term Financial Plan and Resource Implications:
None

Financial Risks:

None

Carbon Footprint (Environmental) Implications:
None

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

The Risk and Opportunity Management Strategy specifically supports the processes which underpin the production of the Annual Governance Statement.

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	**Exemption Paragraph Number** (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
		1	**2**	**3**	**4**	**5**	**6**	**7**
A	Annual Governance Statement							

Background papers:

**Add rows as required to box below*

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

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Sign off:

Fin	**DJN. 24.25 .046**	Leg	LS/0000360 9/13/LB/15/07/24	Mon Off	Click here to enter text.	HR	Click here to enter text.	Assets	Click here to enter text.	Strat Proc	Click here to enter text.
Originating Senior Leadership Team member: David Northey, S. 151 Officer and Service director for Finance											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 11/07/2024											
Cabinet Member approval: *Cllr Tudor Evans* Date approved: 12/07/2024											

ANNUAL GOVERNANCE STATEMENT 2023/2024

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SCOPE OF RESPONSIBILITY AND PURPOSE OF THE GOVERNANCE FRAMEWORK

Scope

Plymouth City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

This Annual Governance Statement explains how the Council has complied with the Code of Corporate Governance and also how it meets the requirements of Regulation 6(1) of the Local Government, England and Wales Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

Purpose

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at Plymouth City Council for the year ending 31 March 2024 and up to the date of the approval of the Statement of Accounts.

DRAFT

STATEMENT OF ASSURANCE AND CERTIFICATION

We propose over the coming year to take steps to address the matters described at page 18 onwards, to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Councillor Tudor Evans	Tracey Lee	David Northey
Leader of Plymouth City Council	Chief Executive	Director for Finance
Dated:	Dated:	Dated:

DRAFT

THE CORPORATE PLAN

The Plymouth City Council Corporate Plan 2023-2026 sets out our mission to 'build a better Plymouth'. It was approved by Council in June 2023, and replaced the plan in place since 2021.

The new Corporate Plan priorities will be delivered through specific programmes and projects which are coordinated and resourced through the Plymouth Plan, capital investment, directorate business and delivery plans.

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



THE ASSURANCE FRAMEWORK - THE THREE LINES OF DEFENCE

The Three Lines of Defence Assurance Model is used as the primary means to demonstrate and structure roles, responsibilities and accountabilities for decision making, risk and control to achieve effective governance and assurance. The diagram below shows the relationship between these functions:-

First Line of Defence – Management Controls and Internal Control Measures

Line management are responsible for ensuring that a risk and control environment is established as part of day-to-day operations. Line management should be adequately skilled to create risk definitions and make risk assessments. The risk profile needs to be proactively reviewed, updated and modified for changes to the business environment and emerging risk changes. Active risk management and periodic reporting on risk is crucial to quick identification and response.

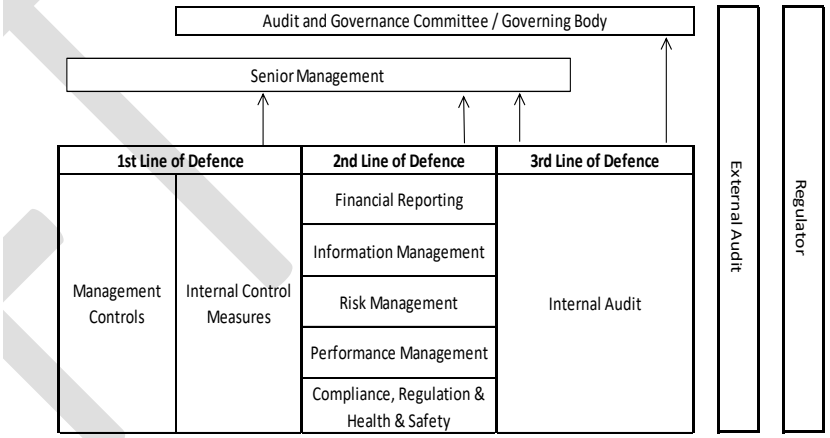
The first line of defence provides management assurance by identifying risks and business improvement actions, implementing controls and reporting on progress.

Second Line of Defence – Oversight Functions

The second line of defence consists of activities covered by several components of internal governance. This line of defence monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information up and down the organisation. These are usually management functions that may have some degree of objectivity but are not entirely independent from the first line.

Third Line of Defence

Internal audit forms the third line of defence. An independent internal audit function will, through a risk-based approach to its work, provide assurance to the organisation's senior management. This assurance will cover how effectively the organisation assesses and manages its risks and will include assurance on the effectiveness of the first and second lines of defence. It encompasses all elements of the Council's risk management framework (from risk identification, risk assessment and response, to communication of risk related information) and all categories of organisational objectives.



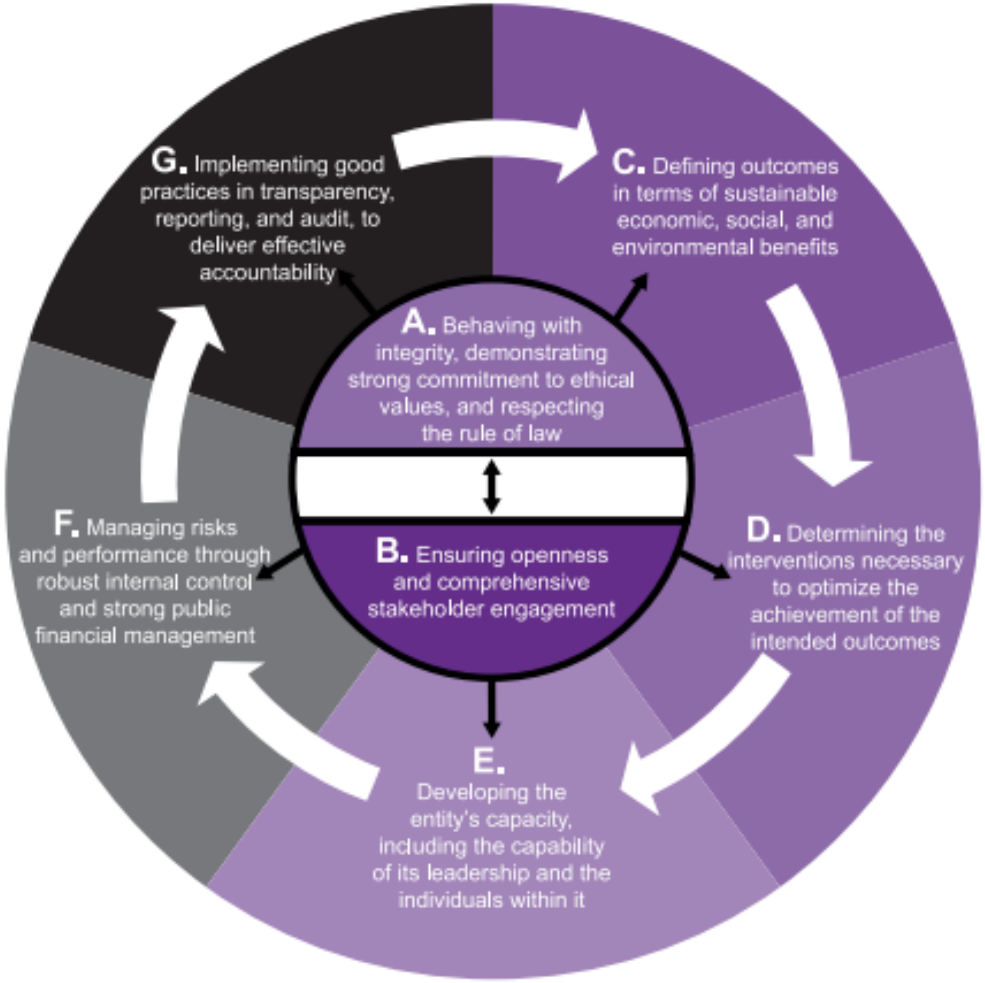
External Auditors and Regulators

External auditors and regulators reside outside the council structure but have an important role in the overall governance and control structure by providing an independent and objective function to assess the whole, or some part of the first, second or third line of defence.

Audit and Governance Committee's Role

All three lines of defence have specific tasks in the internal control governance framework. It is the Audit and Governance Committee's role to maintain oversight and to monitor the effectiveness of internal controls and risk management processes, as well as internal audit activities.

PLYMOUTH CITY COUNCIL'S CORPORATE GOVERNANCE FRAMEWORK



The Council's Code of Corporate Governance is consistent with the principles of the CIPFA/SOLACE 2016 Framework Delivering Good Governance in Local Government.

This diagram illustrates how the various principles for good governance in the public sector relate to each other. To achieve good governance the Council should seek to achieve their intended outcomes while acting in the public interest at all times.

As overarching requirements for acting in the public interest, principles A and B apply across all other principles (C - G).

A high-level summary of the Council's local arrangements in place for 2023/24 to comply with each of the principles is set out below.

Details within the Code and the Annual Governance Statement aim to provide assurance that:-

- the Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- Performance statements are accurate.

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

- Council's Constitution
- Schemes of Delegation
- Committee Structure
- Corporate Plan
- Codes of Conduct
- Anti-Fraud, Bribery and Corruption Policy
- Whistle Blowing Policy
- Statutory Officer Roles
- Register of Interests/Hospitality
- Protocol for Member Officer Relations
- Risk and Opportunity Management Strategy
- Whistleblowing Policy
- Customer feedback and complaints

- The Council's organisational values are underpinned by its system of internal control and governance arrangements to ensure compliance with its Code of Corporate Governance.
- The Council's Local Code of Corporate Governance (appendix 2) as described in this Governance Statement has been reviewed in line with CIPFA/Solace Delivering Good Governance in Local Government Framework 2016 and has been reviewed in light of the Financial Reporting Council updated Code of Corporate Governance issued in 2018.
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law is acknowledged as key to the delivery of good governance and underpins the delivery of council priorities and services for the community.
- The standards of conduct and personal behaviour expected of Members and Officers, its partners and the community are defined and communicated through Codes of Conduct and Protocols within the Council's Constitution. Arrangements are in place to ensure that Members and Officers are aware of their responsibilities under these Codes and Protocols.
- Elected Members are collectively responsible for the governance of the Council. Decision making and scrutiny of decisions has been separated through the executive arrangements introduced by the Local Government Act 2000.
- Ward-based governance and engagement arrangements for Councillors, multi-agency problem solving arrangements, reliable casework handling and feedback and customer insight to inform decision-making are all elements of our plans, equipping Councillors to do their job. The Councillor's toolkit can be accessed here.
- The Head of Devon Audit Partnership has overall responsibility for the maintenance and operation of the whistleblowing policy. This includes monitoring the policy and maintaining a record of the concerns raised and outcomes, which will be reported to the Audit and Governance Committee in an anonymised format.
- Arrangements are in place for Members and Officers to declare gifts and hospitality and to register interest and manage conflicts of interest.

Principle B – Ensuring openness and comprehensive stakeholder engagement

- Thrive Plymouth
- Customer complaints
- Committee meetings webcast and agendas published
- Plymouth City Survey
- Annual Reports
- Partnerships
- Social media pages

- Ensuring openness and comprehensive stakeholder engagement is considered essential in meeting the Council's corporate ambitions and framework of values and regarded as key to effective service delivery. Communication supports the decision-making process and helps to improve service quality and foster good relationships between staff, Members and stakeholders.
- The Statement of Community Involvement (SCI) sets out the minimum requirements for consultation and involvement that must be followed by the LPAs of the Councils when preparing planning documents or consulting on planning applications. The document also sets out how the LPAs will support groups undertaking neighbourhood planning.
- Partnerships including; Health and Wellbeing Board, Safer Plymouth, Safeguarding Adults partnership, Plymouth Safeguarding Children's Partnership continue to review representation and where appropriate includes greater community and voluntary sector representation.
- Thrive Plymouth was launched in 2014 and is our local 10 year programme to address health inequalities in the city. 'One You' campaign launched to help adults to assess the lifestyle choices they are making, to consider how those choices might impact on their health now and in the future, and to consider the steps they can take to make their lifestyles healthier.
- The Council has a system for recording Customer Feedback which enables learning from feedback and complaints to facilitate effective monitoring of information provided by customers to review future service delivery. There is a formal process for corporate complaints as well as for Children's and Adults Statutory complaints.
- Committee meetings, including Full Council and Cabinet are webcast live and archived as part of our drive to make our decision making more open and transparent. Performance information, including financial performance is regularly review by the Executive and Scrutiny in public.

Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

- The Plymouth Plan
- Plymouth Report
- Statement of Accounts
- The Plymouth Local Care Partnership System Plan
- The Plymouth and South West Devon Joint Local Plan
- Treasury Management and Capital Strategy

- Our Corporate Plan is focused on our vision to be 'one of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone'. That means everyone working together towards our shared ambition to be a democratic, responsible, fair and collaborative city.
- The Plymouth Plan provides the strategic direction for decision making in the city. It brings together all statutory and non-statutory plans forming a holistic strategy for people and place.
- The Council uses its operating model to develop more appropriate outcomes for people and more effective service delivery, standardising, simplifying and sharing wherever possible, through the Plymouth Family or wider partnerships.
- The Plymouth Local Care Partnership System Plan sets out ambitious plans to improve health and care services for people across Devon in a way that is clinically and financially sustainable.
- The Plymouth and South West Devon Joint Local Plan looks at the big issues, including where to build homes, where roads should go and how to ensure economic growth and prosperity for Plymouth residents and those living in the towns and villages of West Devon and the South Hams. We carried out a major consultation asking people where land should be set aside for homes and work and what should be protected as green space.

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

- Medium Term Financial Strategy
- Business Planning
- Cabinet
- Overview and Scrutiny Committees
- Performance and Accountability Framework
- Corporate Plan Performance Reports
- Key Performance Indicators
- Service Standards
- Portfolio Holder meetings
- Complaints procedure
- Audit reports

- The Medium-Term Financial Strategy (MTFS) sets out how the Council will finance the priorities for the Council, having regard to the Plymouth & South West Devon Joint Local Plan and the Corporate Plan.
- The system of internal financial control is based upon a framework of regular management information, financial regulations, Contract Standing Orders, administrative procedure and a structure of delegation and accountability.
- The Section 151 officer, as documented in the Constitution, has responsibility for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts and maintaining an effective system of internal financial control.
- Cabinet is our main decision making body, made up of the Leader of the Council and a number of Councillors.
- The scrutiny function is delivered through the Overview and Scrutiny Committees. Scrutiny provides an important check and balance within the governance system on the decisions of Cabinet and the Leader and acts as a 'critical friend' to the Cabinet and other decision makers in order to promote better services, policies and decisions.
- The Corporate Fraud Team fulfils the Council's statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.
- Key performance indicators are used to track performance of the Council's priorities as outlined in the Corporate Plan.
- Service Standards have been implemented across the Council to improve the way we listen and respond to our customers.
- Internal Audit partners undertake an annual review of audits to identify key themes, themes that are considered for action by Corporate Management Team. This is considered good practice.

Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it

- Organisational Design
- Smart working
- People Strategy
- Annual staff survey
- Annual Staff 'Star Awards'
- eLearning
- Councillor Development Programme
- Apprenticeship Programme
- Management Driving Licence eLearning Package
- Staff performance discussions
- Staff Wellbeing and Resilience Survey

- An Organisational Effectiveness process is being developed to shape the organisation and ensure its alignment to the purpose of the Council and the context in which it operates.
- Digital Services is now fully owned and operated from within the Resources Directorate and is continuing to improve digital activities for customers and staff through website improvements, digital processes and workflows created and improved reporting mechanisms being used.
- Opportunities for new income streams are reviewed regularly by all services. .
- Our People Strategy is our high level medium term plan for how we will provide a motivated, engaged and skilled workforce focused on meeting the needs of the citizens of Plymouth.
  - Annual staff survey
  - Management Fundamentals Training Programme
  - Annual Staff 'Star Awards'
  - Induction training carried out for new Members and employees
  - E-Learning utilized
  - Apprenticeship Programme
  - Management Driving Licence (compulsory E-Learning to be completed by all current managers and available for aspiring managers)

Principle F – Managing risks and performance through robust internal control and strong public financial management

- Performance and Accountability Framework
- Corporate Plan performance report
- Corporate Plan performance report
- Departmental Performance Scorecards
- Risk and Opportunity Strategy
- Strategic Risk Register
- Operational Risk Register

- The Council consider and counter risk across a broad range of areas. An approved Risk Management Strategy and Policy and guidance are available for staff on the Council's website together with E-Learning.
- Risks are formally reviewed and monitored quarterly by the Corporate Management Team and reported to the Audit and Governance Committee.
- Risks to planned outcomes are considered as part of the business planning process.
- Alignment of risk information with performance management has been improved this year with strategic risk updates now being included within operational performance reports, scrutinised monthly by services.
- A Joint Integrated Commissioning Risk Management Framework has been developed with NHS Devon ICS to support our joint co-operative commissioning approach.
- Information Lead Officer Group direct work streams within the overall governance of information assets and the Management of Information Security Forum ensure there is clear direction and visible management support for security initiatives.
- Risks that threaten the health, safety and wellbeing of employees and other people using Council premises are monitored by the Health, Safety & Wellbeing Steering Group via HSW risk register.

Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

- The Devon Audit Partnership Internal Audit Plan
- External Audit
- The Audit and Governance Committee
- Overview and Scrutiny Committees

Internal and External Audit

The Devon Audit Partnership (DAP) has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon Councils. DAPs Internal Audit Plan is based on the high risks reported within risk registers and is presented to and approved by the Audit and Governance Committee in March. The plan is published on the Council's website with the Audit and Governance Committee agenda. The Council's arrangements for providing economy, efficiency and effectiveness are reviewed by the external auditors on an annual basis. Their Annual Report provides a summary of the activity undertaken during the year. They also review the Annual Governance Statement.

Audit and Governance Committee

An effective Audit and Governance Committee is in place whose purpose is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. The Committee has two independent members and a vacancy for one other.

The Audit and Governance Committee monitor and review the Council's corporate governance arrangements, financial reporting, internal control system, risk management system and internal and external audit functions. In line with good practice, Audit and Governance Committees should assess their effectiveness annually.

Overview and Scrutiny Committees

The scrutiny function is delivered through the Overview and Scrutiny Committees, and is another way to monitor audit reviews and associated recommendations. The Overview and Scrutiny Committees for 2023/2024 were;

Growth and Infrastructure

Education and Children's Social Care

Health and Adult Social Care

Performance, Finance and Customer

KEY GOVERNANCE AND DELIVERY AREAS

Overall we can confirm that the Council has the appropriate systems and processes in place to enable good governance. During the course of 2023/24 the following actions have been completed on the basis of recommendations from internal and external audit, Council Members and Officers.

Governance Issue	Lead Officer	Assurance Statement	Reported Through
External Audit Recommendations A number of recommendations from the governance review undertaken with external auditors were made at the meeting of the Audit and Governance Committee in July 2021 and subsequently, concerning decision making.	David Northey / Ross Jago	Immediate actions were taken by the Council in 2021 to address the recommendations made. Formal guidance was issued concerning new and innovative transactions which was first considered by the Audit and Governance Committee in October 2021 and agreed in November 2021. The Council continues to enhance governance procedures. Decision making guidance for report authors and decision makers has been prepared and training sessions have been undertaken by directorates, most recently the People directorate 12/06/24. These sessions will continue to run throughout the year and at the request of any officer who requires further assistance through the Democratic Support Team and Monitoring Officer. Corporate governance templates have been amended and are available for officers through the intranet. A financial risk section has been incorporated on the corporate templates and advice and guidance has been provided to the report authors through training sessions. Scrutiny processes were reviewed during the 2022/23 and 2023/24 municipal years and changes agreed at the Annual General Council meeting in May 2024. This has strengthened the role of the Scrutiny Management which now includes oversight of the forward plans, this ensures that all key decisions are considered for the Scrutiny Work Programme. The Risk and Opportunity Management Strategy was updated 28 November 2023, to provide improved guidance on strategic, operational and financial management, better decision making and improved compliance. This makes clear examples that may be considered a financial risk and how to mitigate them.	Corporate Management Team Audit and Governance Committee Scrutiny Council

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		Strategic Risks and financial risks are provided for DMT discussion and are included as part of the Monthly scorecard. Strategic risks are also reviewed by the Corporate Management Team, Audit and Governance Committee and the relevant Scrutiny Committees. Further advice and guidance have been offered to managers through the lunch and learn sessions on how to identify and manage risks. The Audit and Governance Committee Terms of Reference was reviewed by Audit and Governance Committee and Subsequently approved by City Council in January 2022 A Self-Assessment is being undertaken in advance of an agenda item at September's Audit and Governance Committee. A tracking system is now in place for recommendations, actions from the External and Internal Auditors and review of the tracking system is a standing item on the Audit and Governance Committee for the 2024/25 Municipal Year (External and Internal Audit Action Log). Annual training is provided to members, additional enhanced training was delivered by an external provider on the 28 June 2024 and all members of the committee completed the training. The Code of Conduct was reviewed and approved at City Council 21 March 2022. All members receive a copy of the Code of Conduct when elected and receive training at the beginning of the municipal year. Advice on interests is available from Democratic Support and the Monitoring Officer and Councillors are reminded weekly via the member's bulletin to update their Registers of interests which can be found on their "Your Councillor Pages" . Declarations of interest guidance for Officers has been agreed. Officers submit declarations of interest via the online system firmstep. Officers Submit Declarations of Interest via Firmstep form to make transparent any financial and non-financial interests and relationships which could lead to a potential conflict within their role or ability to deal with a particular piece of work as an employee of the council.	

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		Training sessions and guidance has been provided and Team Plymouth have a 100% completion rate. All internal legal advice is formally documented. Guidance to Senior Lawyers will be reviewed and discussed again at the away day 20 June 2024. Legal sections will be added to relevant corporate templates during July 2024 The approach to consultation with external auditors has been communicated and agreed with Grant Thornton for future decision. An example of this is recent consultation in relation to the Habitat Banking Vehicle and Chelson Meadow Solar Farms. Members of the Audit and Governance Committee and Growth Scrutiny Committee also received a briefing on each project. All Statutory Officer attends Corporate Management Team meetings	
Constitution The constitution was identified in the Annual Governance Statement (AGS) 2023 as requiring an update as a result of issues which developed in the course of the 2022/23 municipal year.	Ross Jago	Over the last twelve months members of the Audit and Governance Committee joined with other councillors in a working group to review gaps in procedure and conflicting provisions within the Constitution which had been identified during the course of the 2022/23 municipal year. Changes were made to the following sections – • Part A – Articles • Part B - Council Procedure • Petition Scheme / Guidance • Petition Scheme / Guidance (as a result of Council Referral) • Standards Committee • Part E of the constitution • Part D, Overview and Scrutiny Committees Changes were discussed at an Officer Governance Working Group, Member Task and Finish Group, Audit and Governance Committee and Council.	Corporate Management Team Member Task and Finish Group Audit and Governance Committee Council
Risk Identified in the AGS 2023 as an area of focus which recommended that Clear processes for the collation and	Ross Jago	A new risk management process for organisational risk was implemented in January. The new process was subject to a "lunch and learn" in January 2024 and is supported through our Risk Management Pages on the staff intranet.	Audit and Governance Committee

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reporting of risk are established in the Performance Management Framework and the Risk and Opportunity Management strategy.		Since the launch of the risk management pages they have been reviewed by 252 unique users accessing the pages 653 times over the period (27/01/2024-24/04/2024). This could be seen to represent a significant increase in engagement in the risk management process. The new process is beginning to yield results and discussions concerning the possible utilisation of similar tools for service level risks are underway. The Corporate Management Team (CMT) continue to maintain oversight of the key risks facing the Council. CMT have recently conducted a risk identification workshop as part of the process to update the strategic risk register with further workshops planned for the future.	Corporate Management Team
Health and Safety A review of Health, Safety and Wellbeing processes and procedures was undertaken and recommendations were made for improvement.	Kirsty Spencer	The Corporate Management team have been provided a briefing on Health, Safety and Wellbeing development actions following the review and the appointment of the new Head of Health, Safety and Wellbeing in September 2023. A revised Health, Safety and Wellbeing Policy has now been published. A Health, Safety and Wellbeing steering group has been established and will maintain oversight of key Health and Safety Risks alongside, the Corporate Action Plan and Management Tool Kit.	Cabinet Audit and Governance Committee Corporate Management Team
Internal Audit Audit opinion of the effectiveness of Internal Controls.	Louise Clapton	Based on work performed to date during 2023-24, our experience from the current year progress and previous years audit, the Head of Internal Audit's Opinion on the adequacy and effectiveness of the Authority's internal control framework is one of "Reasonable Assurance".	Cabinet Audit and Governance Committee Corporate Management Team

Whilst we are satisfied that these work well, reviews have identified the following governance issues and key delivery areas of concern. The following areas received a judgement of Limited Assurance in internal audits conducted in 2023/24, these are areas of concern that may impact on our system of

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internal control. Management have taken action in the 2023/24 financial year and further actions are planned across 2024/25. These are presented alongside an assurance statement on how we will manage the issues raised.

Key Delivery Area	Lead Officer	Progress / Assurance Statement	Reporting Through
Limited Assurance - Adult Social Care Payment System The Audit identified - An opinion of Limited Assurance was given due to the failure of three controls in preventing overpayments. An opinion of Limited Assurance was given due to the failure of internal controls. Mitigation of overpayment risk will be strengthened through implementation and embedding planned: • Guidance, including gatekeeping checks, • Training for new staff, • Supervision of gatekeeping checks by inexperienced staff, and; • Updated exception reporting	Brokerage - Direct Payments Manager Business Support: Team Leader, Digital & Customer Experience **Target Date**: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25	Guidance and procedures are being created as recommended and were in place at the end of April 2024. The guidance document will include information concerning authorisation checks for care packages and batching. Brokerage staff are given appropriate training, and this is ongoing.	People Directorate Management Team
Limited Assurance - Client Financial Services (CFS) The Audit identified - • Some slippage regarding training for Livewell SW	Head of ASC and Retained Function **Target Date**: Expected to implement agreed	Legal Services have prepared a flowchart overview to assist officers in ensuring they collect and record the correct information to support Legal Services. The management team continue to monitor performance regularly and the team are also reviewing proposals for robotic automation, which will offer scope for efficiencies over the coming 12 months.	People Directorate Management Team

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Key Delivery Area	Lead Officer	Progress / Assurance Statement	Reporting Through
staff in PCC requirements. client contributions • Resource issues which have resulted in an increase in the backlog of referrals awaiting assessment in CFST and delays remain for Deputyship cases to be allocated. • Gaps between contacting financial representatives made it easier to stall or complicate completion of financial assessments. • Delays within the Court of Protection processes which are totally outside of the control of the Council.	recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25	All outstanding debts, are reviewed periodically however, due to volumes and pressure on resource, the team have to make decisions on how frequently they review debt cases. The current 'scoring matrix' has been reviewed to ensure old cases receive a level or priority. The current software (Casper) is due to be upgraded in the coming months (to CasparCloud) which allows additional functionality which should offer efficiencies that may allow deputies to increase their current caseload. Regular meetings have been set up between Legal and Income Recovery to ensure that progress on cases is discussed.	
Limited Assurance - Debtors The Audit identified - • Outstanding sundry debt has risen in the financial year 2023/24. Senior management are aware and audit have been informed that steps are being taken to resolve this. • Extra resource has been put in place within the	Head of Revenue, Benefits and Service Centre **Target Date**: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via	Management is currently in the process of updating the I&CM policy. Management will continue to escalate issues of large debts from single debtors to the Section 151 Officer. The team review managed accounts on a periodic basis. In general, the team will prioritise those debtors with high levels of debt and who continually fail to pay on time. The task of monitoring suspended accounts/invoices has been passed to new, additional resource.	Resources Directorate Management Team

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Key Delivery Area	Lead Officer	Progress / Assurance Statement	Reporting Through
Income Recovery team but it is too early to give an opinion as to whether this will have an effect on the amount of debt outstanding. • New processes have or are being put in place and all outstanding debts are in the process of being reviewed • The Income and Credit Management Policy (I&CM) has not been updated since October 2017 although it is understood that work is underway to rectify.	Internal Audit and confirmation in AGS 2024/25		
Limited Assurance - Issuing, Appeals and Cancellations of Penalty Charge Notices (PCNs) The Audit identified - • Whilst policies and procedures are in place, they are not always strictly adhered to and working practices have become outdated or missing. • There is a Parking Enforcement Action Plan	Group Manager **Target Date:** Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25	A recommendation to update the Civil Enforcement Officer (CEO) handbook has been added to the Enforcement Service Action Plan in respect to clarifying the use of digital solutions over previous pocket books/notes. Operating procedures are to be updated to clearly set the guidance around spoilt PCN's. The Enforcement Service Action Plan includes an action to undertake a 'gap analysis' of all policies and procedures relating to the Enforcement Service along with a review of these and the requirement to have a central area where such documentation is stored.	Place Directorate Management Team

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Key Delivery Area	Lead Officer	Progress / Assurance Statement	Reporting Through
in place which deals with a number of the issues identified in the Audit.		The Enforcement Action Plan also includes a wide 'skills and training analysis' centred around investment in staff, both in new skills and refresher training. Complimenting this, a new performance management framework is being introduced which will see regular reports on various data and trends critical to establishing a high performing service; this includes significant data around PCN's including spoilt tickets. Supervisors will review and discuss this data with the Enforcement Manager/Group Manager on a monthly basis. Perception and opinion around the basis of cancellation will be resolved through strict application of policy and operating procedures, where the data will clearly illustrate the reasons for any cancellations.	
Limited Assurance - SEND Governance The Audit identified - SEND governance arrangements are not yet embedded and integrated and arrangements could be further strengthened.	Head of SEND **Target Date**: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25	The Plymouth Special Educational Needs and Disabilities Strategy 2023 – 2026 has now been formally published. The SEND improvement board is responsible for the delivery of the SEND Strategy. The Improvement Board is a new Board with an Externally appointed facilitator. Risks to the delivery of the SEND Strategy and Improvement Plan will be monitored by the Board. The SEND Delivery Group responsible for delivery of the Plan sit underneath the Improvement Board report risks to delivery.	Corporate Management Team Childrens Services Directorate Management Team SEND Improvement Board

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Key Delivery Area	Lead Officer	Progress / Assurance Statement	Reporting Through
Limited Assurance - SEND Decision Making The Audit identified - The decision-making process within SEND and the 0-25 team was under review. Further action plans are required to ensure progress is made on development work.	Head of SEND **Target Date**: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25	The Single Multi-Agency Panel (SMAP) is the decision-making authority with regard to authorisation of placements and associated costs. The Scheme of Delegation sits within the Terms of Reference for SMAP. Both the terms of reference for the SMAP and decision-making process will be reissued with refreshed guidance. DMP will be reviewed to ensure appropriate membership and timely decision making to ensure post 16 transitions are agreed within timescales. Capacity issues have resulted in a backlog of SMAP applications and therefore focus is on statutory duties. A review of the 0-25 team and decision-making processes including a relaunch of processes and communications to staff will mitigate the risks associated of untimely payments.	Corporate Management Team Childrens Services Directorate Management Team SEND Improvement Board
Limited Assurance - SEND Commissioning and Contracting The Audit identified - Procedures and systems in place for the commissioning and contracting of SEND external educational placements would be improved.	Head of SEND **Target Date**: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25	Commissioning has supported the transfer of any information currently held in Commissioning files to a SEND case management system. One centrally held list is being agreed between Finance, Commissioning and the EHCP team. The central list will store key information in relation to placement, start and finish date, transition, attendance. Individual pupil information is stored in the child file held on capita and as part of the review taking place, the capita folders are being cleansed and updated. A working group has been formed to deliver written processes and guidance on the commissioning, contracting and oversight of externally commissioned SEND education placements. All contracts are being reviewed to ensure appropriate record keeping.	Corporate Management Team Childrens Services Directorate Management Team SEND Improvement Board

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Key Delivery Area	Lead Officer	Progress / Assurance Statement	Reporting Through
		The SEND Communication Plan is overseen by the SEND Improvement Board. The SEND Improvement Project Manager is working with PCC's Communications and Engagement Advisor to design a partnership plan with colleagues in Health, Schools and Plymouth Parent Carer Voice. The department recognises many placements do not provide value for money within this sector and are seeking to address this as part of the sufficiency programme taking place, documented in the EPS directorate improvement plan.	
Limited Assurance - SEND Monitoring and evaluation The Audit identified - Procedures, processes and systems in place for the monitoring and evaluation of SEND contracts and external educational placements could be improved-.	Head of SEND **Target Date**: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25	A new decision-making group has been put in place to agree the placement of children in independent non maintained specialist provision. The decision-making group meets weekly. There is a planned agenda, notes are recorded to document decisions and the outcomes of the group are submitted to the service director for approval. A lead specialist placement officer is now responsible for working with the specialist team to agree the level of funding. Reviews are underway for all children placed in non-maintained specialist provision. Work is taking place to confirm providers with inadequate OFSTED rating and monitoring processes put in place. Due regard is taken for all new placements to ensure the provision has at least a good OFSTED rating. The lead officer for specialist provision is also responsible for the monitoring and reviewing of children and to ensure a minimum attendance of 90% and that the EHCP annual review process is adhered to. Children and schools causing concern form the basis of weekly monitoring and monthly reporting, which has recently been developed.	Corporate Management Team Childrens Services Directorate Management Team SEND Improvement Board

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Key Delivery Area	Lead Officer	Progress / Assurance Statement	Reporting Through
		Commissioning is working with EPS on contractual expectations for the providers and to ensure that any requirements are included in IPA's Surveillance of the local market will be undertaken by the SEND Commissioning Officer as part of ongoing market development.	
Limited Assurance - Special Guardianship Orders (SGO) Follow Up The Audit identified- Improvements have been made but associated risks are not yet sufficiently mitigated due to some significant weaknesses in the internal control framework.	Head of SEND **Target Date**: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25	A proposal for a dedicated SGO Team has now been agreed. This will create a dedicated SGO Support Team within Children's Social Care and a Finance Assistant will sit within the team to ensure the join up with Client Financial Services. Flowcharts will be reviewed in light of revised processes following the implementation of Eclipse and for when a dedicated SGO team is in place. The initial development of the SGO Team will establish: • A 'front door' page hosted on the PCC website, including contact details, resources, policies and guidance leaflets; • Development of a suite of leaflets and guides for children and young people, prospective special guardians, birth family and Special Guardians; • Policy and procedure for accessing SGO Support post order; • Policy and procedure for the delivery of SGO Support, reviewing SGO Support Plans and financial assessments.	Corporate Management Team Childrens Services Directorate Management Team SEND Improvement Board

In addition to internal audit recommendations the following key governance considerations will be addressed in 2024/25.

Key Delivery Area	**Lead Officer**	**Assurance Statement**	**Reporting Through**
Governance Review	David Northey **Target Date**:	During the course of 2024/25 the Council will work with Government appointed reviewers to undertaken a governance review.	Corporate Management Team

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Key Delivery Area	Lead Officer	Assurance Statement	Reporting Through
The Council has requested Exceptional Financial Support (EFS) from DLUHC in the form of a Capitalisation Direction. An outstanding issue remains over the transaction made in October 2019, which has been reported regularly to the Audit and Governance Committee, relating to a transaction we made to significantly reduce the cost of a pension deficit. An 'in-principle' letter was received from DLUHC on 27 February 2024 stating that the Secretary of State is minded to approve a capitalisation direction.	Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25	A programme of work is being developed and expected to be implemented by the end of the 2024 calendar year.	Cabinet Audit and Governance Committee Council
Family of Companies Some respondents to the SLT survey hold responsibility for companies within the family of companies. All reported compliance with guidance set out in the Local Authority Owned Companies: A good practice guide. Whilst some areas are able to provide evidence of key governance documents (Annual Reports, Articles of Association etc) in relation to	Liz Bryant **Target Date**: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit	Plymouth City Council's Family of Companies (FoC) consists of 14 live companies, which operate for varying purposes. Management is currently developing an action plan to address governance issues which will include issues such as– • Appointment of Directors • Company Secretary • Shareholder Representatives/Lead Officers • Any requirements to amend the Council's Constitution • Company Information and Reviews • Transparency and Company Websites • Training	Corporate Management Team Audit and Governance Committee Scrutiny Council

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Key Delivery Area	Lead Officer	Assurance Statement	Reporting Through
individual companies, not all are easily accessible.	and confirmation in AGS 2024/25		
Constitution Remaining changes from the 2023/24 review.	Ross Jago / Liz Bryant / Holly Golden **Target Date**: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25	In addition to any changes required as a result of the review of the family of companies, constitution amendments will be made in the 2024/25 municipal years concerning – **Contract Standing Orders** – In light of changes to procurement practices and regulations amendments are required to contract standing orders. A draft has been developed in consultation with the Officers Governance Stakeholder group. Final agreement on changes will be considered by the Audit and Governance Committee. **Planning Committee (Probity in Planning Guidance)** – Following changes to the Code of Conduct. Final agreement on changes will be considered by the Audit and Governance Committee. **Rules of Debate** – Minor changes to rules of debate to be considered by the Audit and Governance Committee and recommended to Council.	Corporate Management Team Audit and Governance Committee Council
Information Access Provision Significant increased demand has led to failure to meet statutory deadlines and increased escalation to the Information Commissioner's Office, ICO. A reprimand was issued by the ICO in May 2023, followed by an audit into the Council's practices in March 2024. A number of actions were issued to the Council as a result of both.	John Finch **Target Date**: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit	The Corporate Management Team have reviewed the outcomes of the audit. A business case and action plan is currently being developed to address the issues raised for implementation in 2024/25.	Corporate Management Team

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Key Delivery Area	Lead Officer	Assurance Statement	Reporting Through
	and confirmation in AGS 2024/25		
Organisational Effectiveness Plan (OEP) Organisational Effectiveness (OE) can be defined as an organisation's ability to meet its own goals. Traditionally, this could mean defining it through profits, efficiency or growth. In terms of local government, this could mean a definition of financial balance, meeting statutory targets and audit reviews. However, OE is increasingly being thought of in other terms, such as staff retention, job experience, and community impact.	Chris Squire **Target Date**: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25	The Senior Leadership Team (SLT) has been involved in work towards the development of an Organisational Effectiveness Plan across the course of 2023/24 through the SLT forum. Options for the delivery of the OPE have been discussed at the Corporate Management Team, who agreed the following for implementation in 2024/25- • The development of an Appreciative Inquiry programme, to include governance, structure, training programme, communication plans and evaluation techniques. • The development of a programme to move staff to using M365 tools, supported by a comprehensive training and development programme.	Corporate Management Team
Performance Framework In the AGS 2023 the Performance and Accountability Framework was identified for review.	Ross Jago **Target Date**: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit	Due to capacity constraints this work was not undertaken in 2023/24. Development of a new framework is underway and will shortly be reported to the Corporate Management Team before further consideration by relevant governance bodies.	Corporate Management Team Scrutiny Cabinet Audit and Governance.

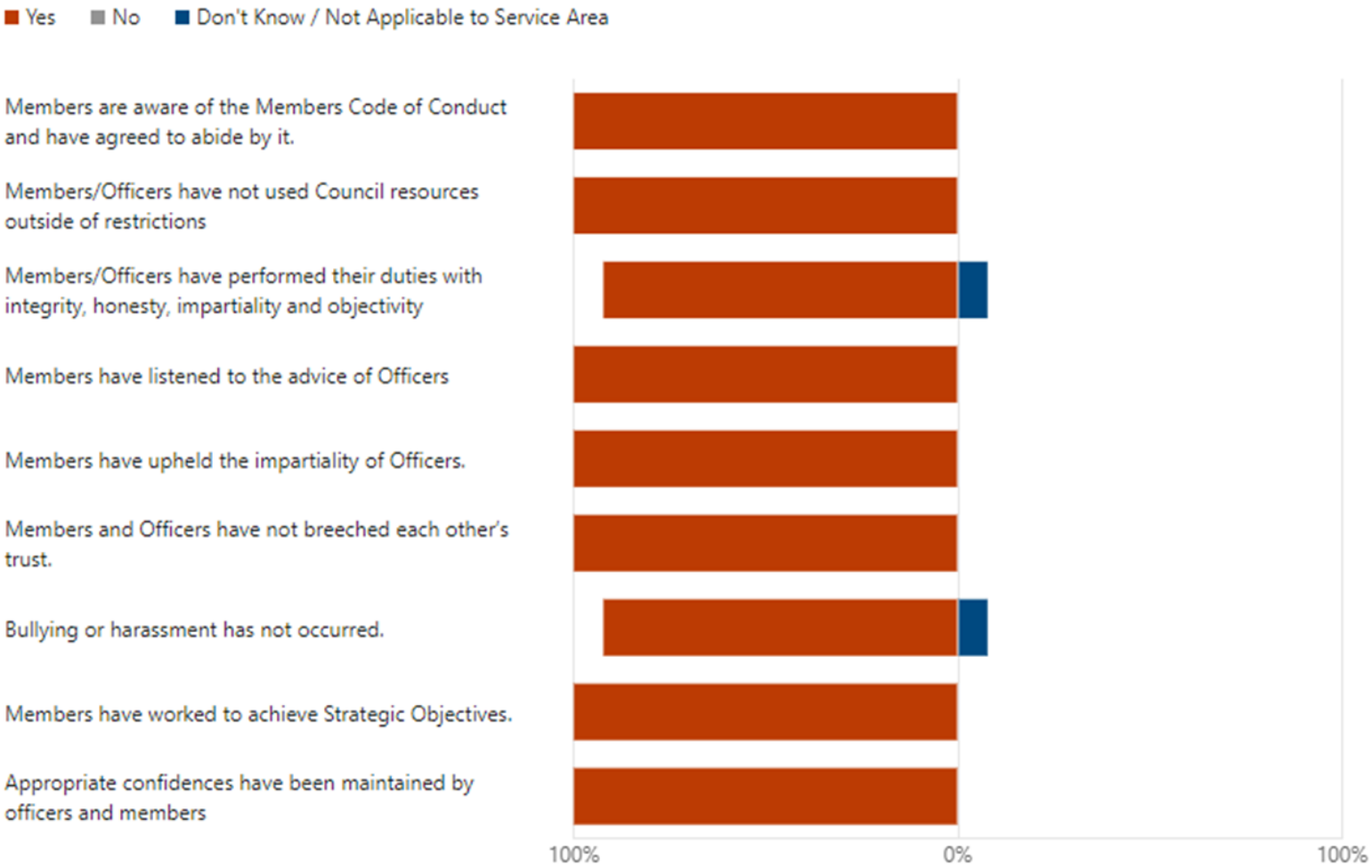
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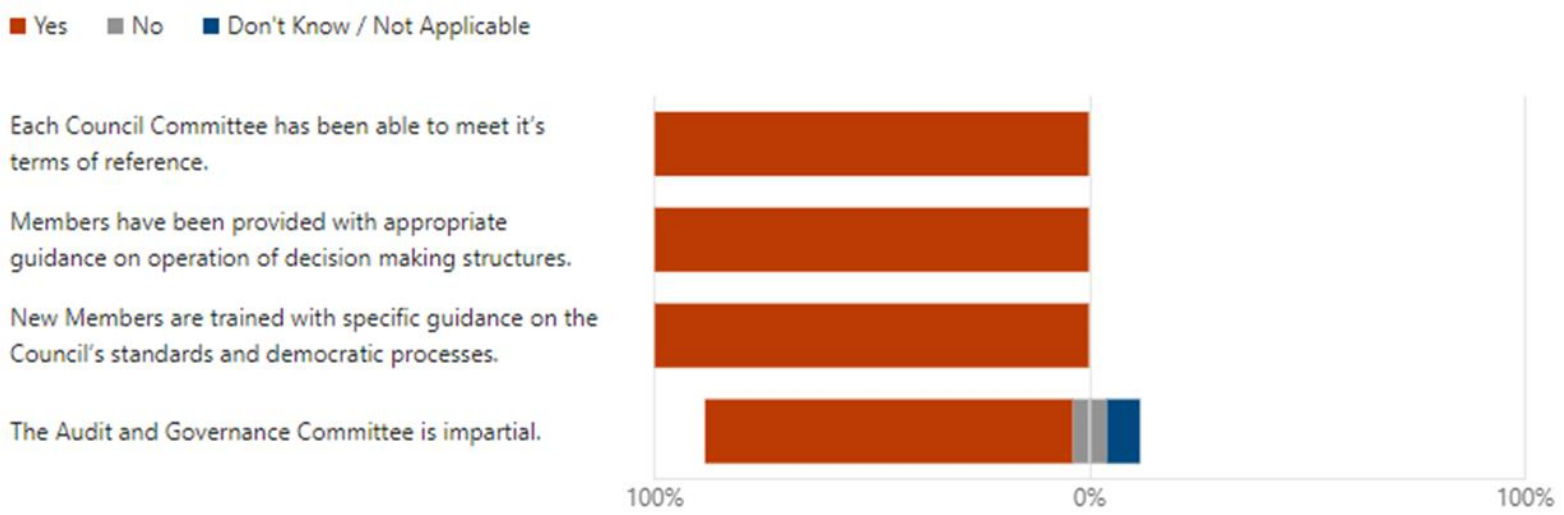
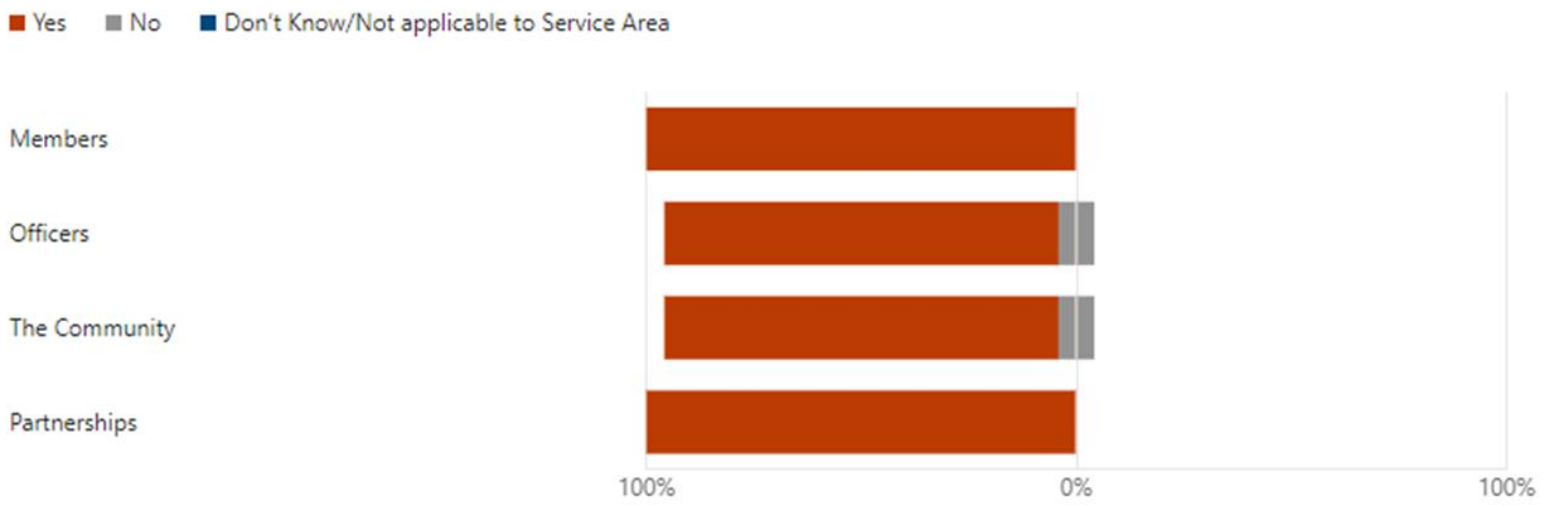
Key Delivery Area	Lead Officer	Assurance Statement	Reporting Through
	and confirmation in AGS 2024/25		

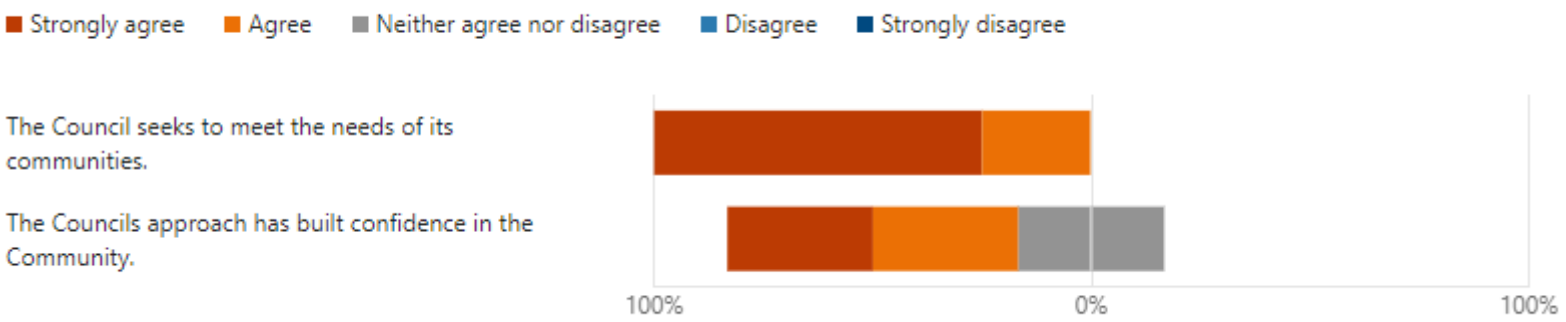
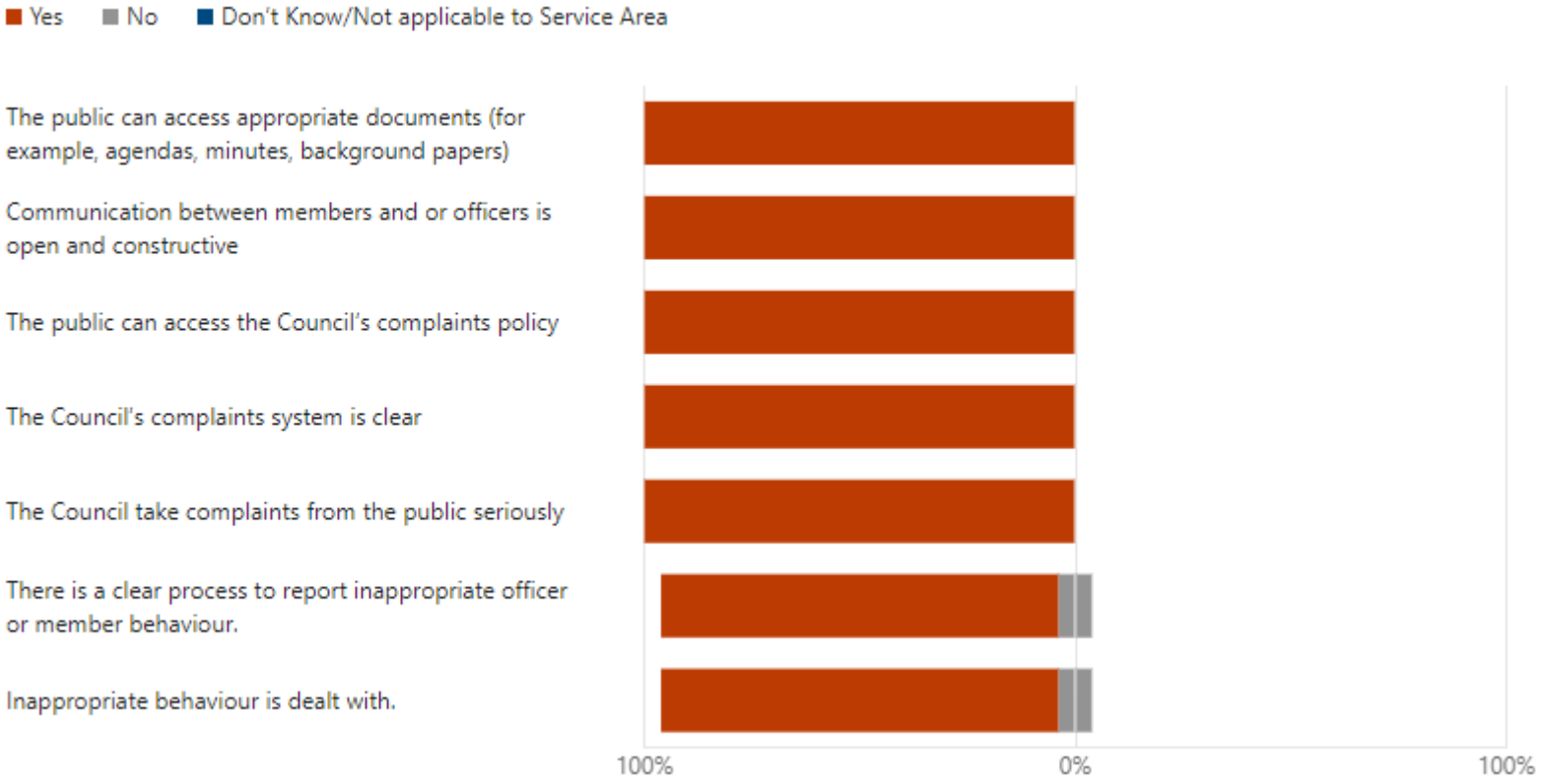
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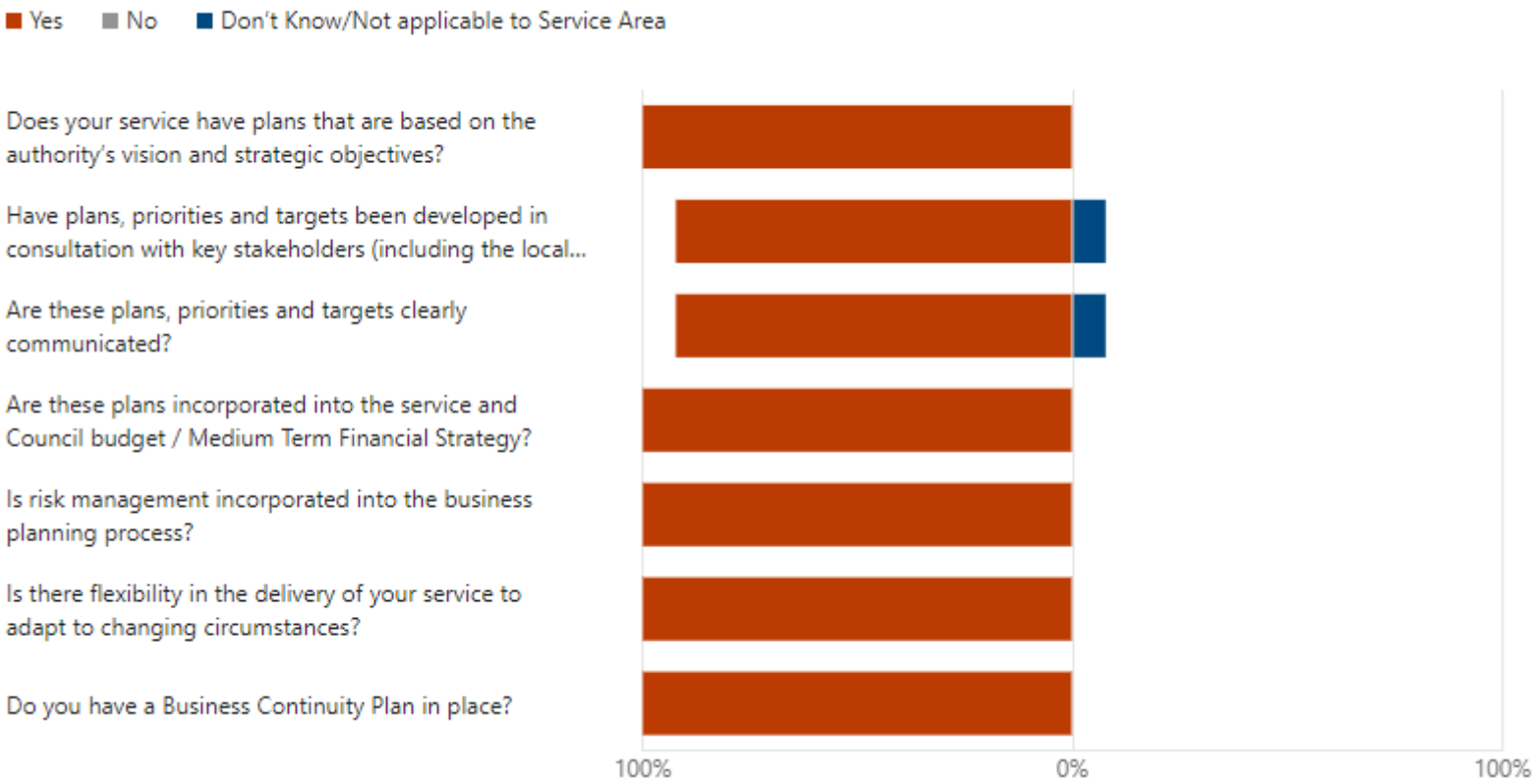
APPENDIX 1 – SENIOR LEADERSHIP TEAM SURVEY

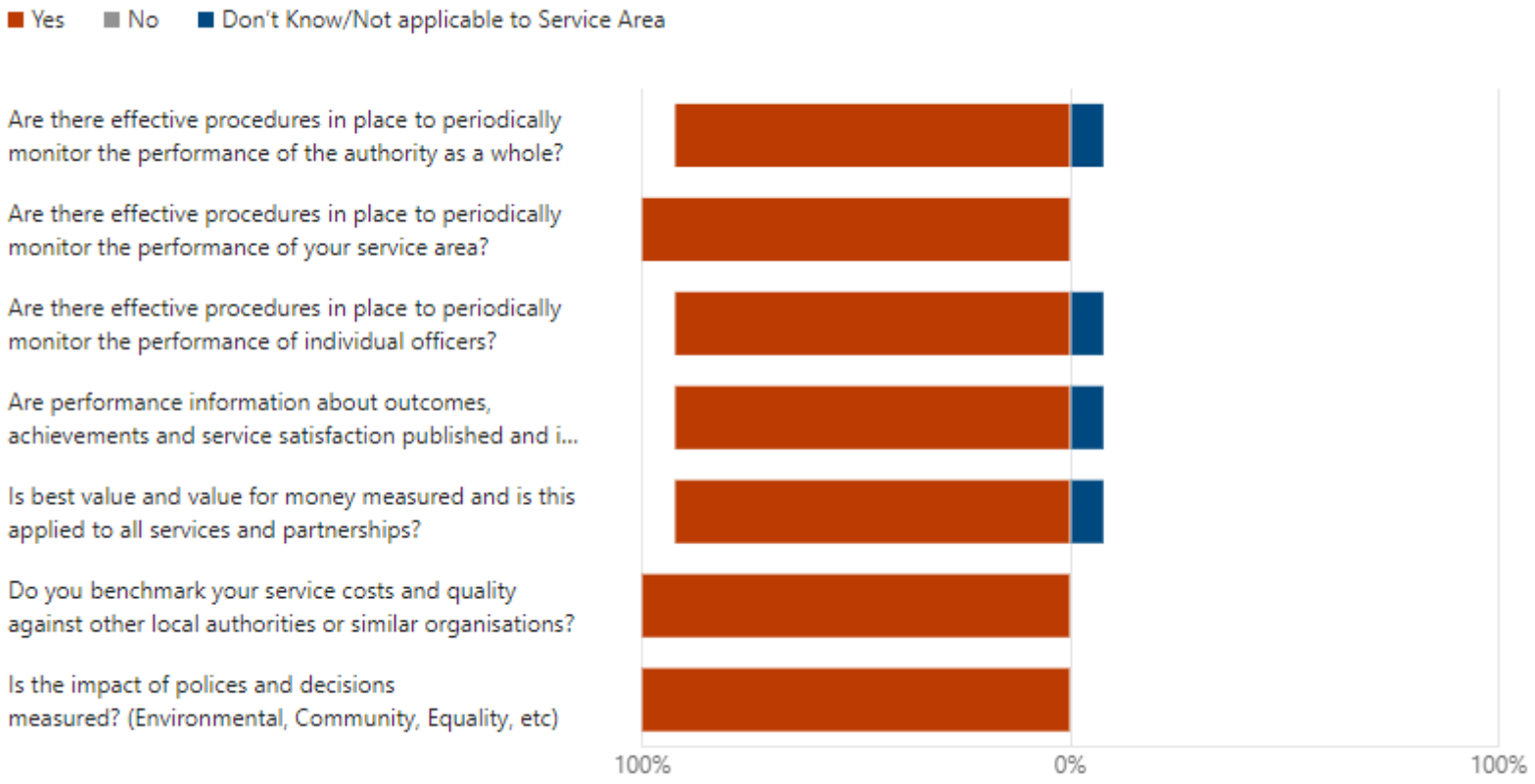
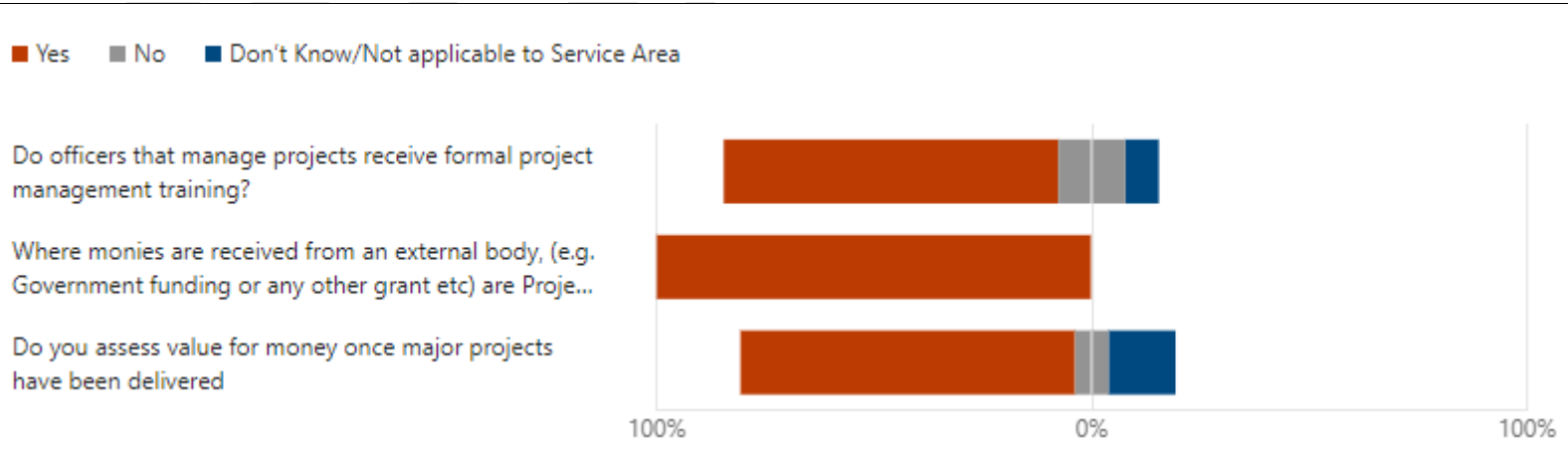
Do you agree that –

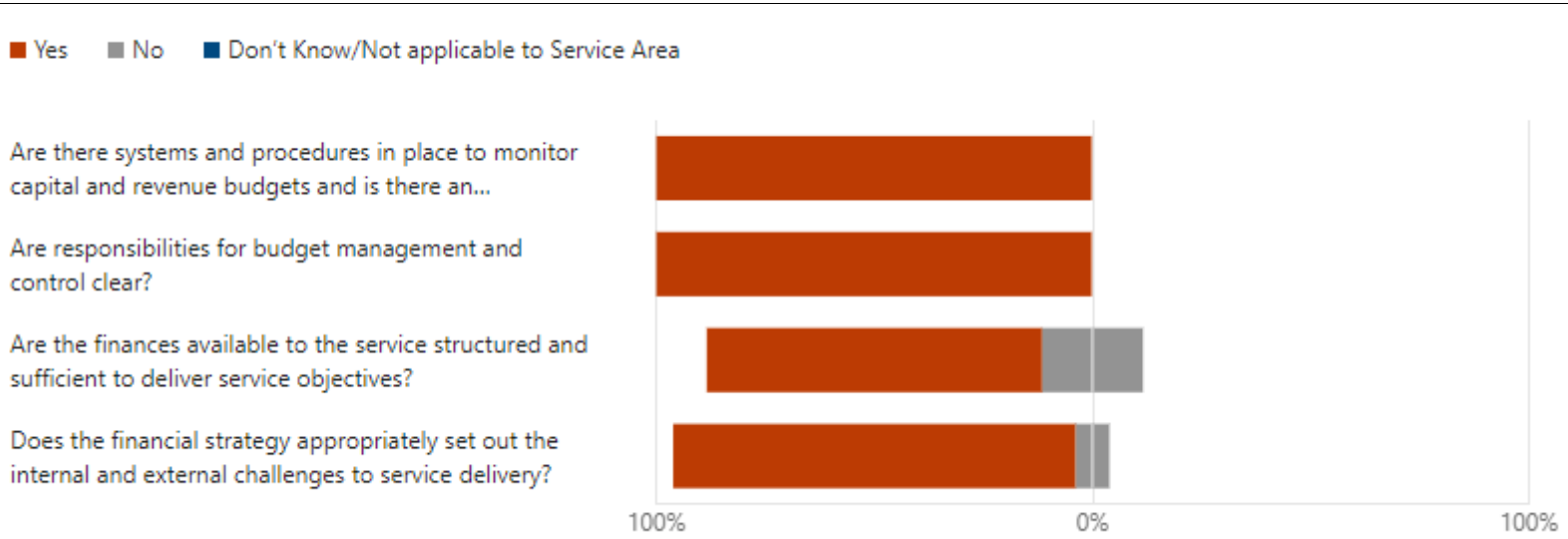


Do you agree that –	
Do you consider that the Council's values have been appropriately communicated to:	

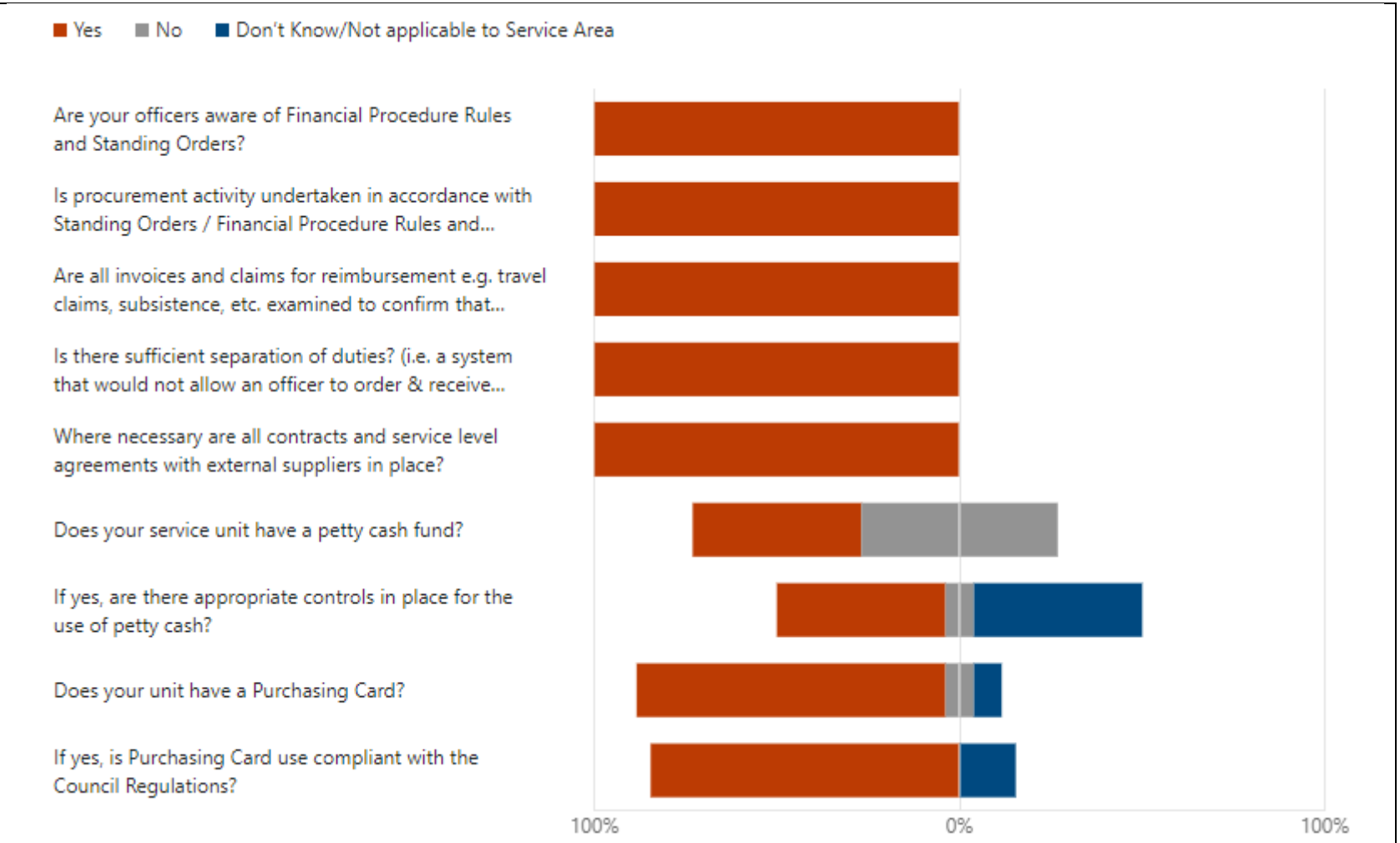
To what extent do you agree with the following statements:	
Do you agree that –	

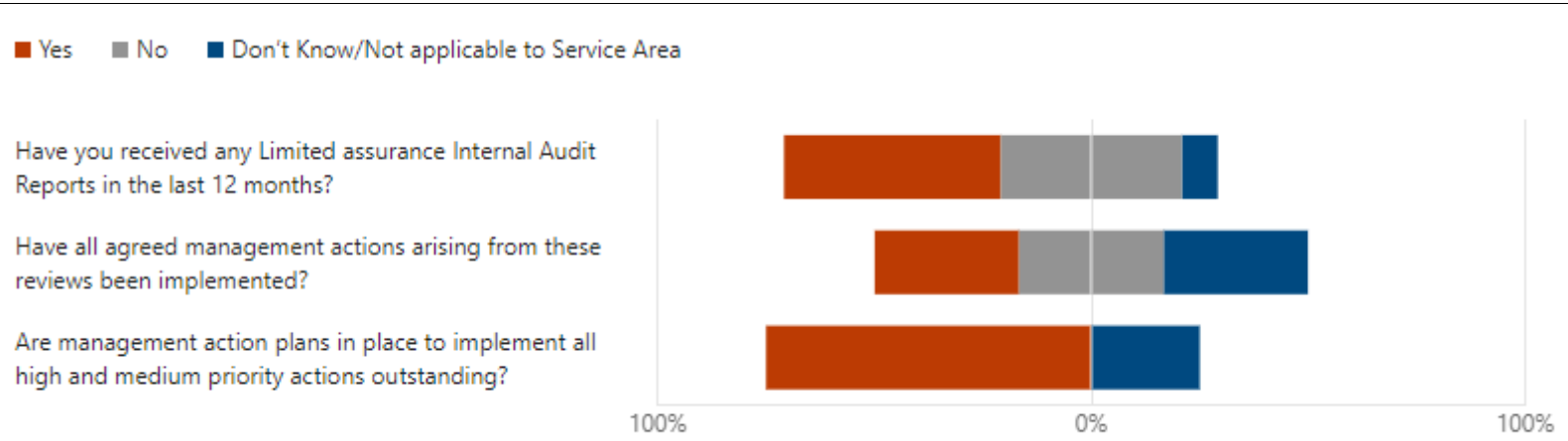
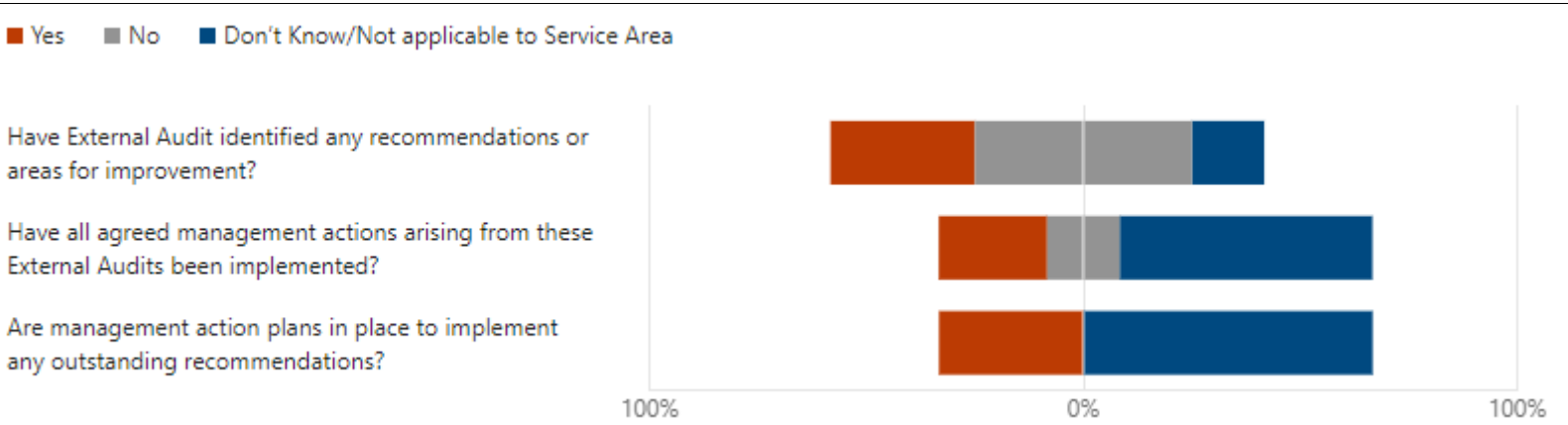
Answer the following:	

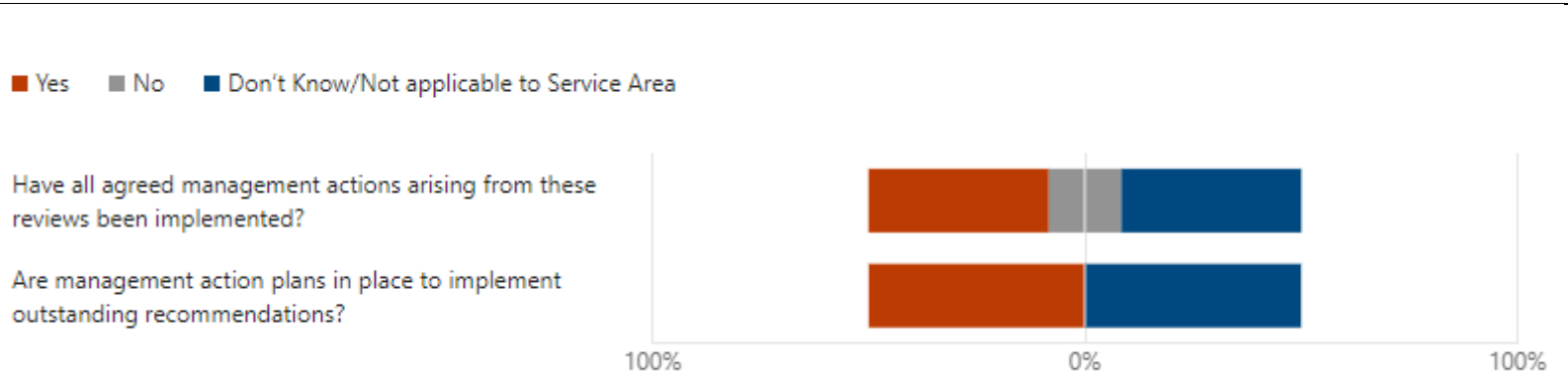
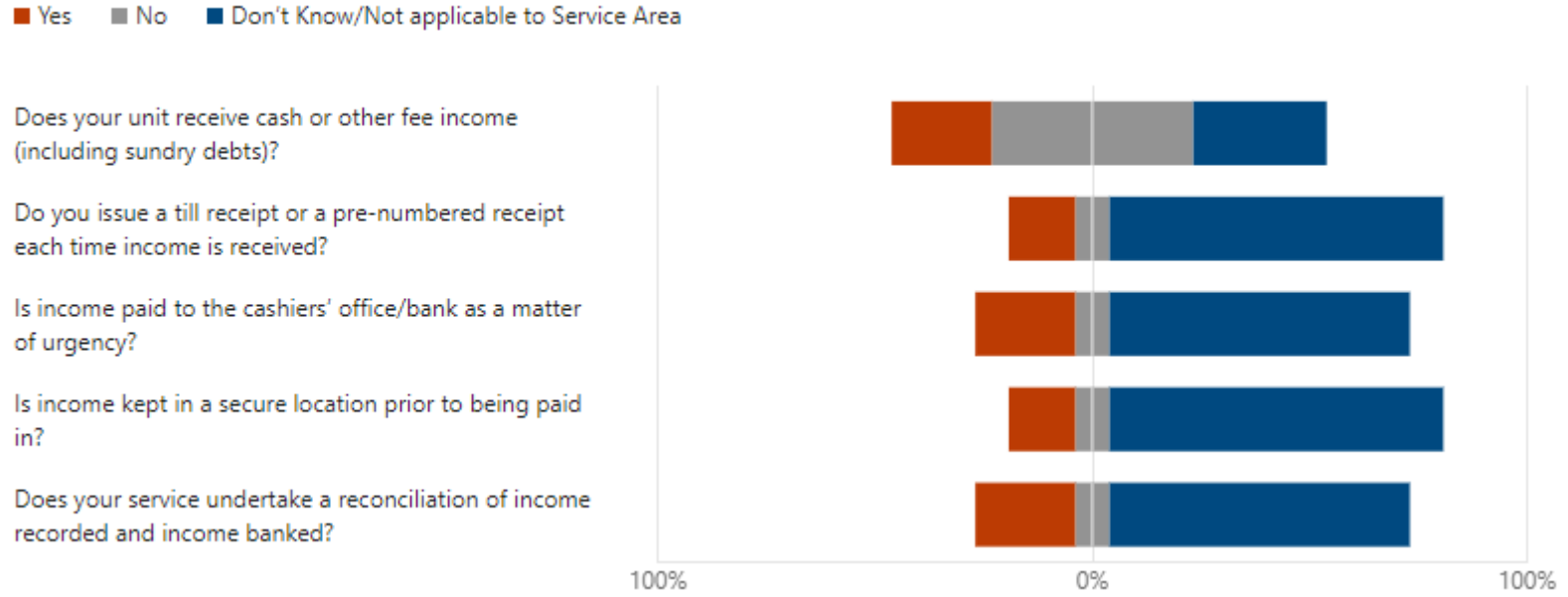
Answer the following	
Answer the following	

Answer the following	

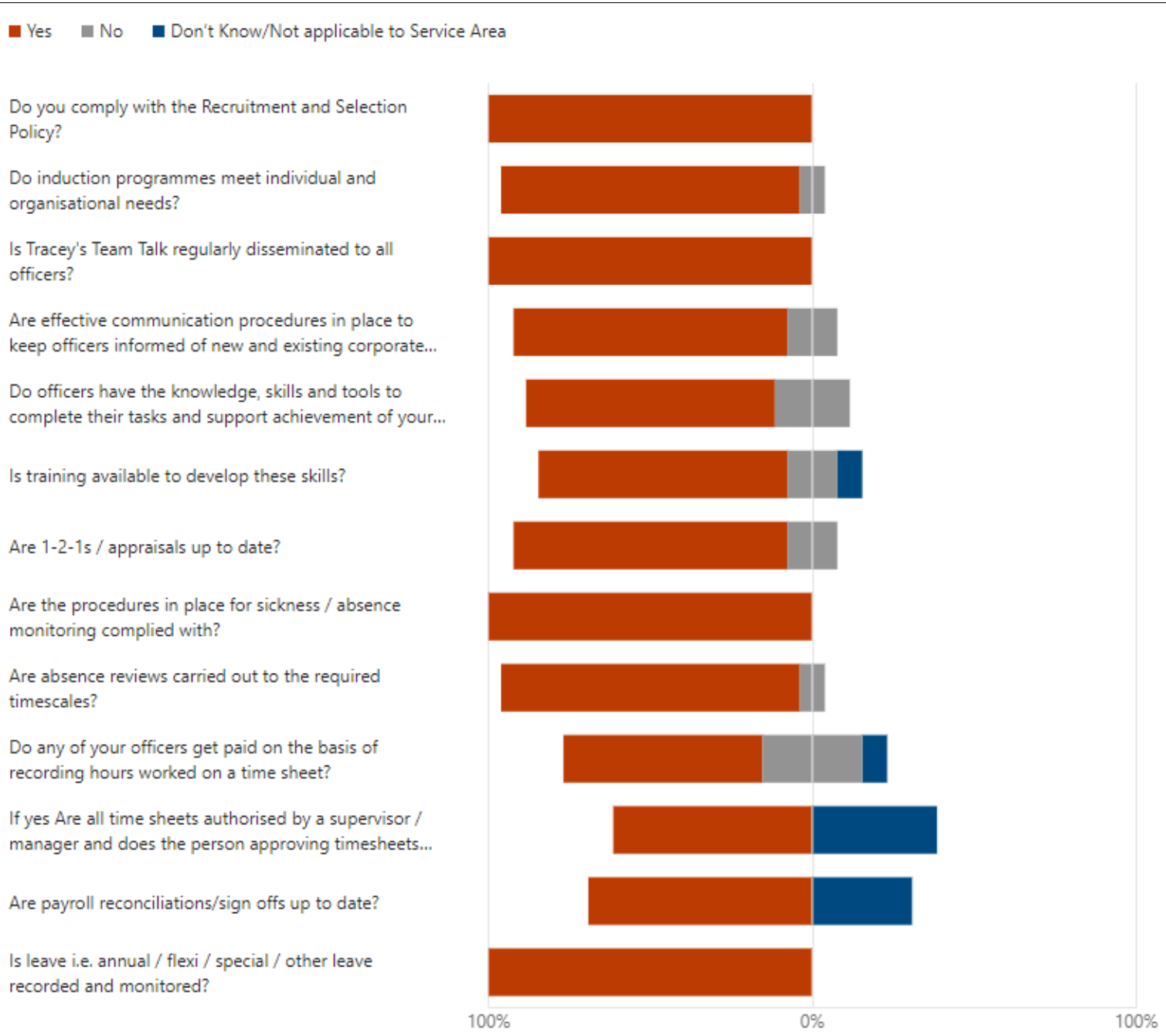
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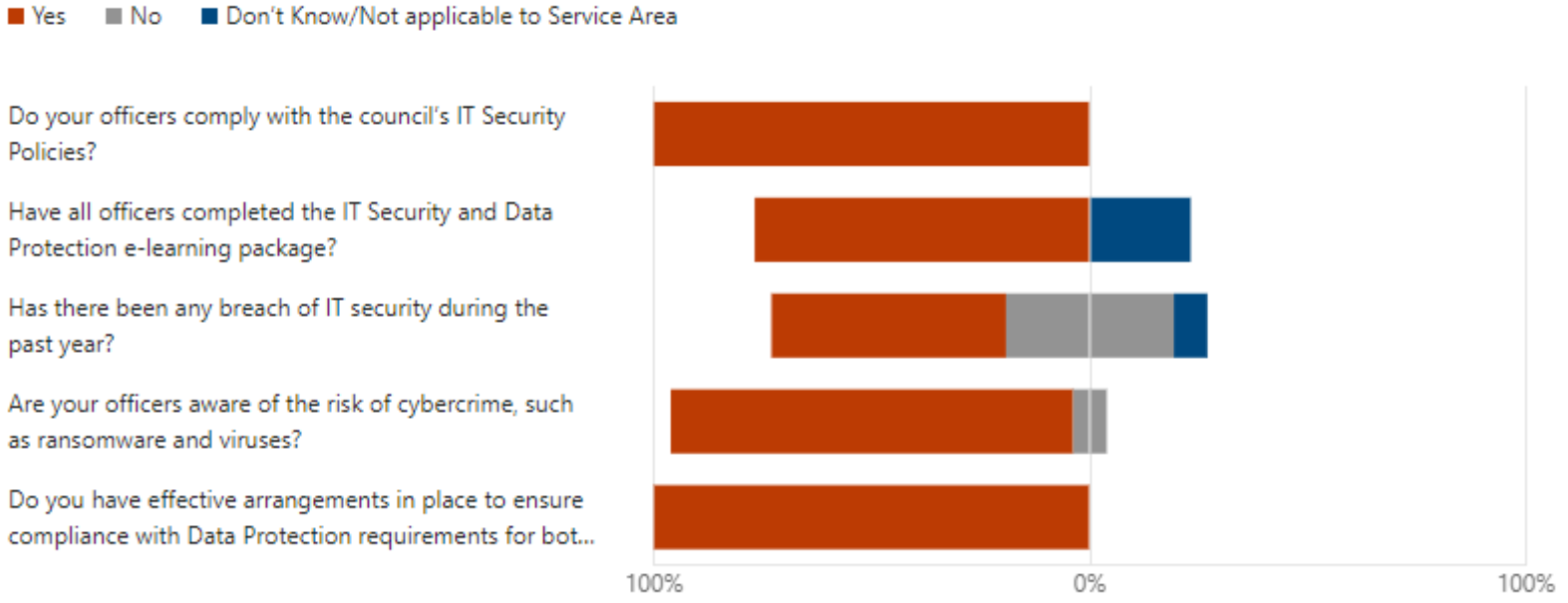
Answer the following	

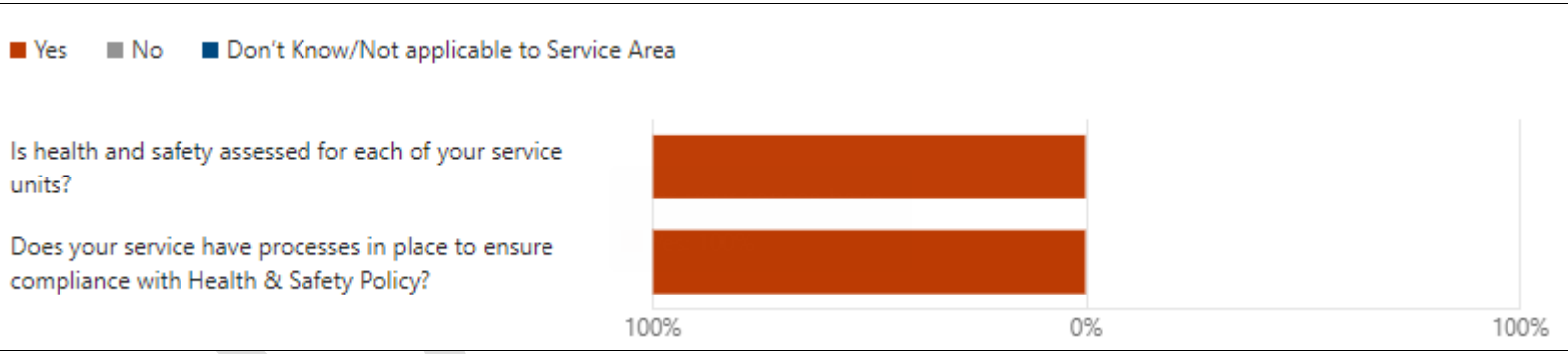
Answer the following	
Answer the following	
Have you had any independent external reviews (peer, inspectorate, regulatory bodies etc) in 2023/24?	

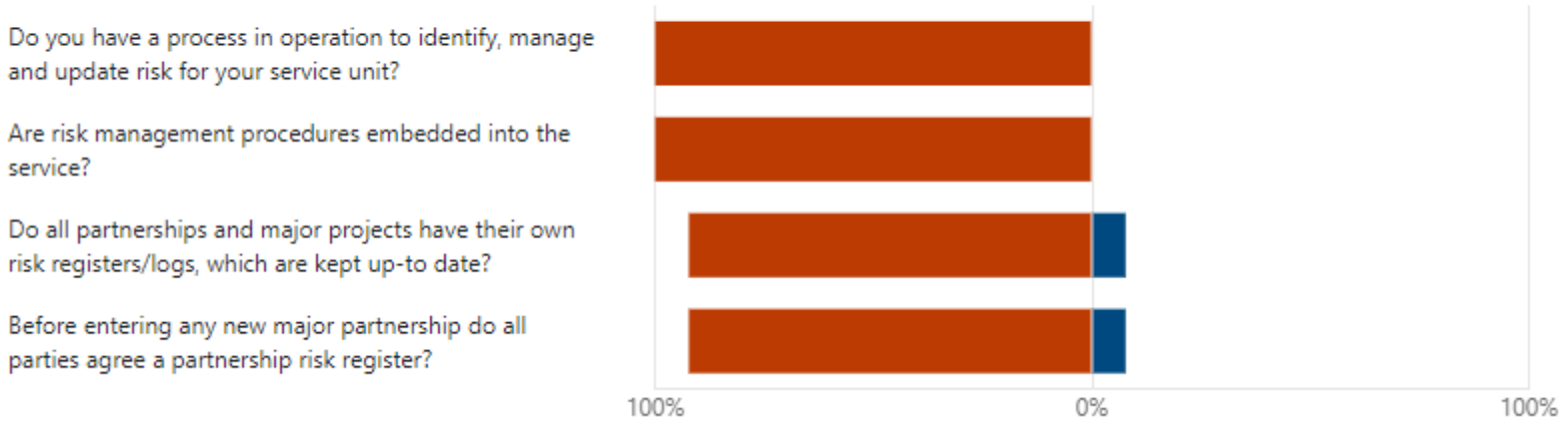
Do you agree that –	
Do you agree that –	

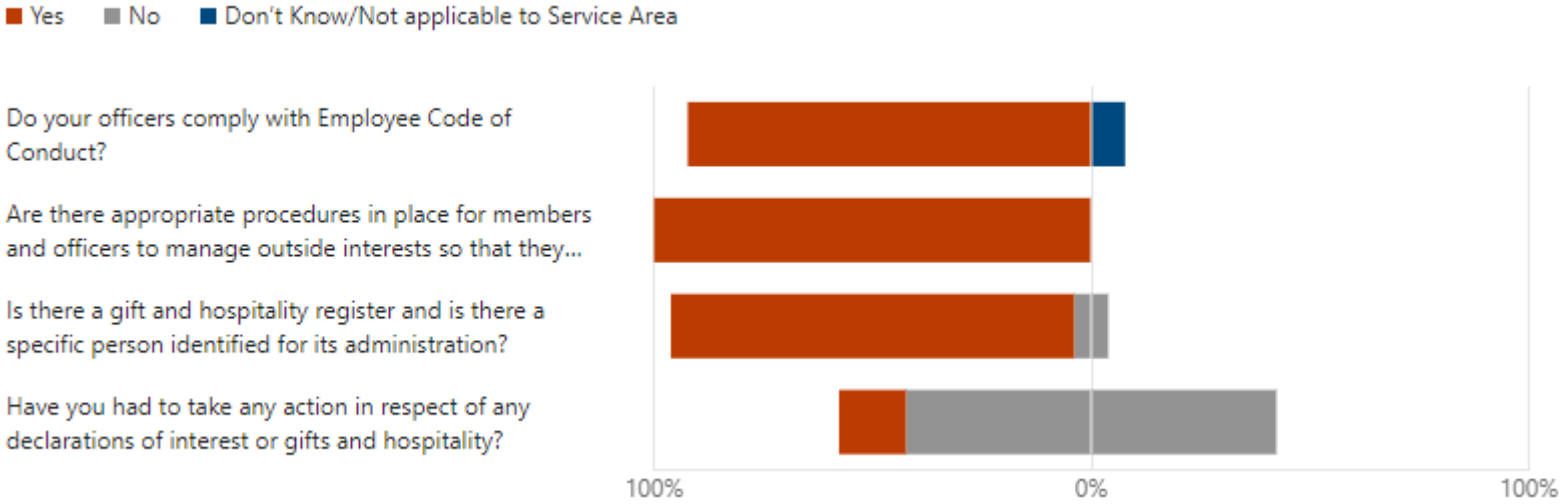
Do you agree that –

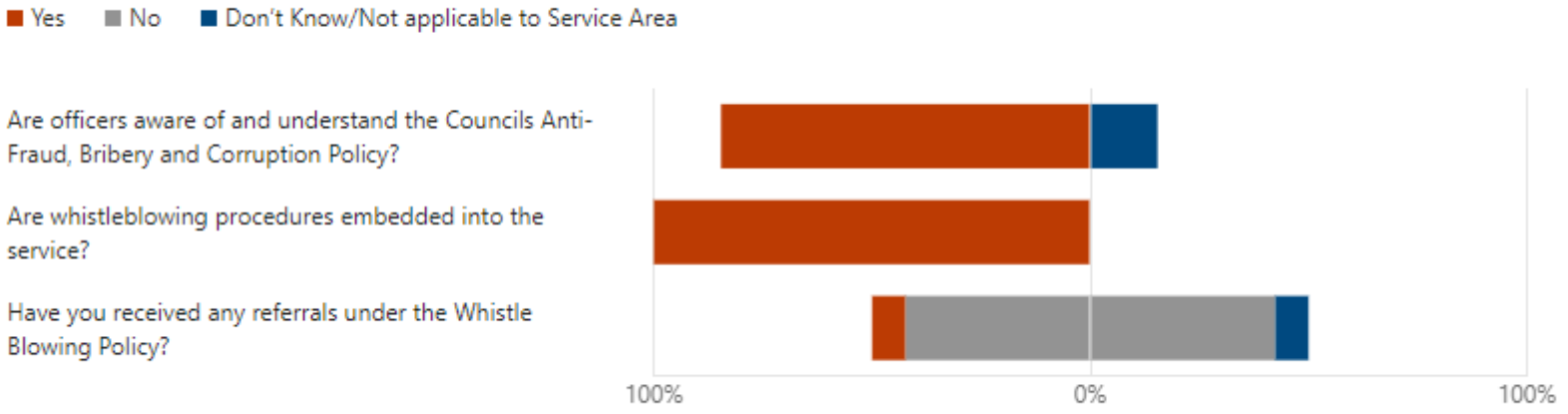


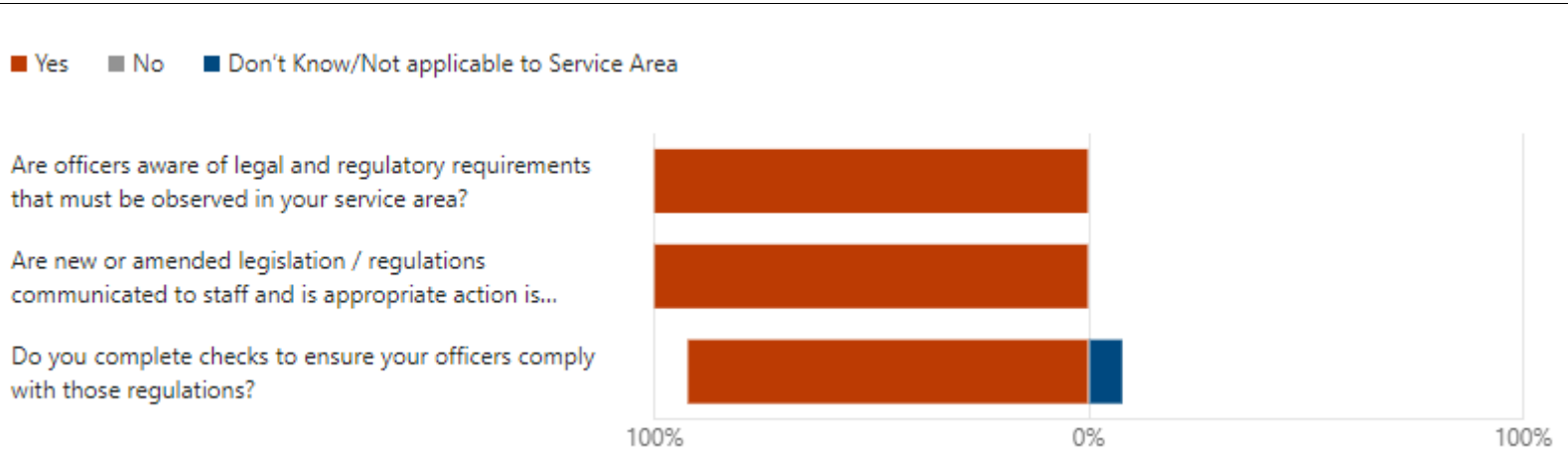

Yes
No
Don't Know/Not applicable to Service Area
Do your officers comply with the council's IT Security Policies?
Have all officers completed the IT Security and Data Protection e-learning package?
Has there been any breach of IT security during the past year?
Are your officers aware of the risk of cybercrime, such as ransomware and viruses?
Do you have effective arrangements in place to ensure compliance with Data Protection requirements for bot...
100%
0%
100%

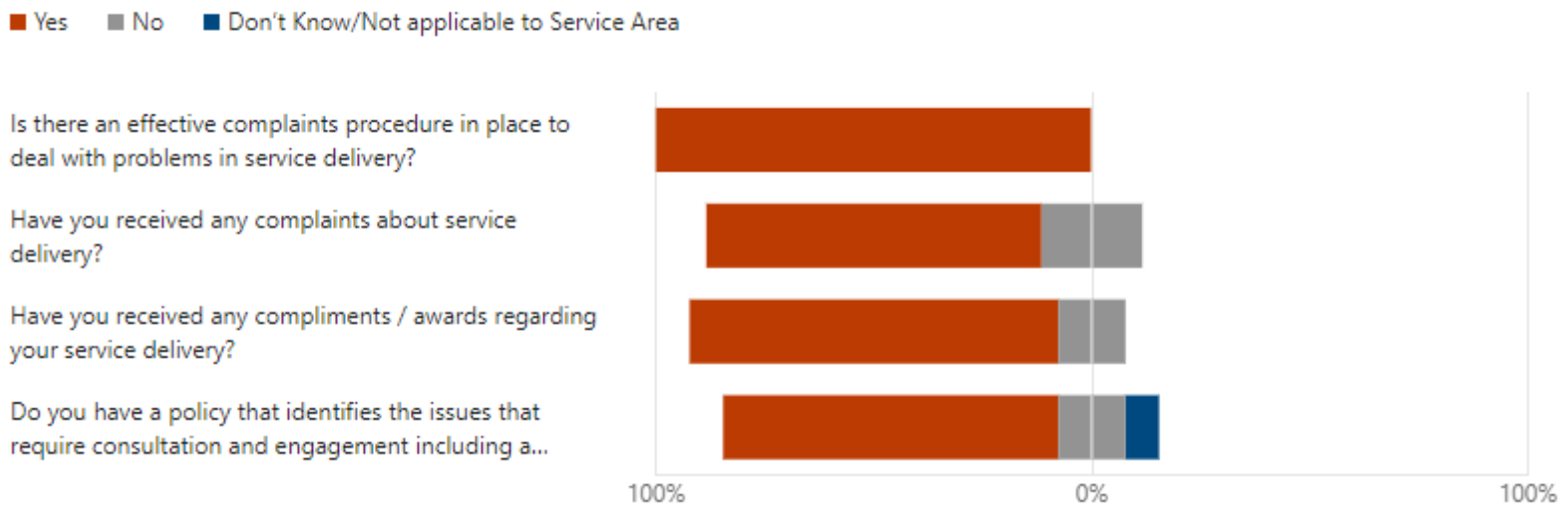

Yes
No
Don't Know/Not applicable to Service Area
Is health and safety assessed for each of your service units?
Does your service have processes in place to ensure compliance with Health & Safety Policy?
100%
0%
100%

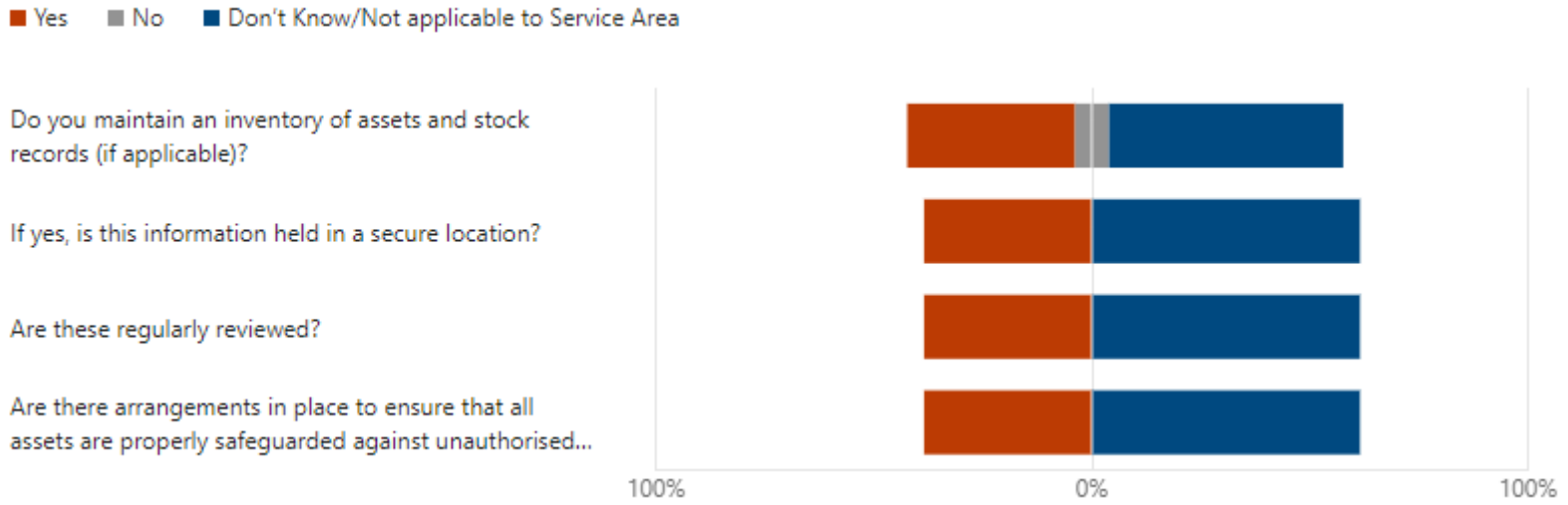

Yes
No
Don't Know/Not applicable to Service Area
Do you have a process in operation to identify, manage and update risk for your service unit?
Are risk management procedures embedded into the service?
Do all partnerships and major projects have their own risk registers/logs, which are kept up-to date?
Before entering any new major partnership do all parties agree a partnership risk register?
100%
0%
100%

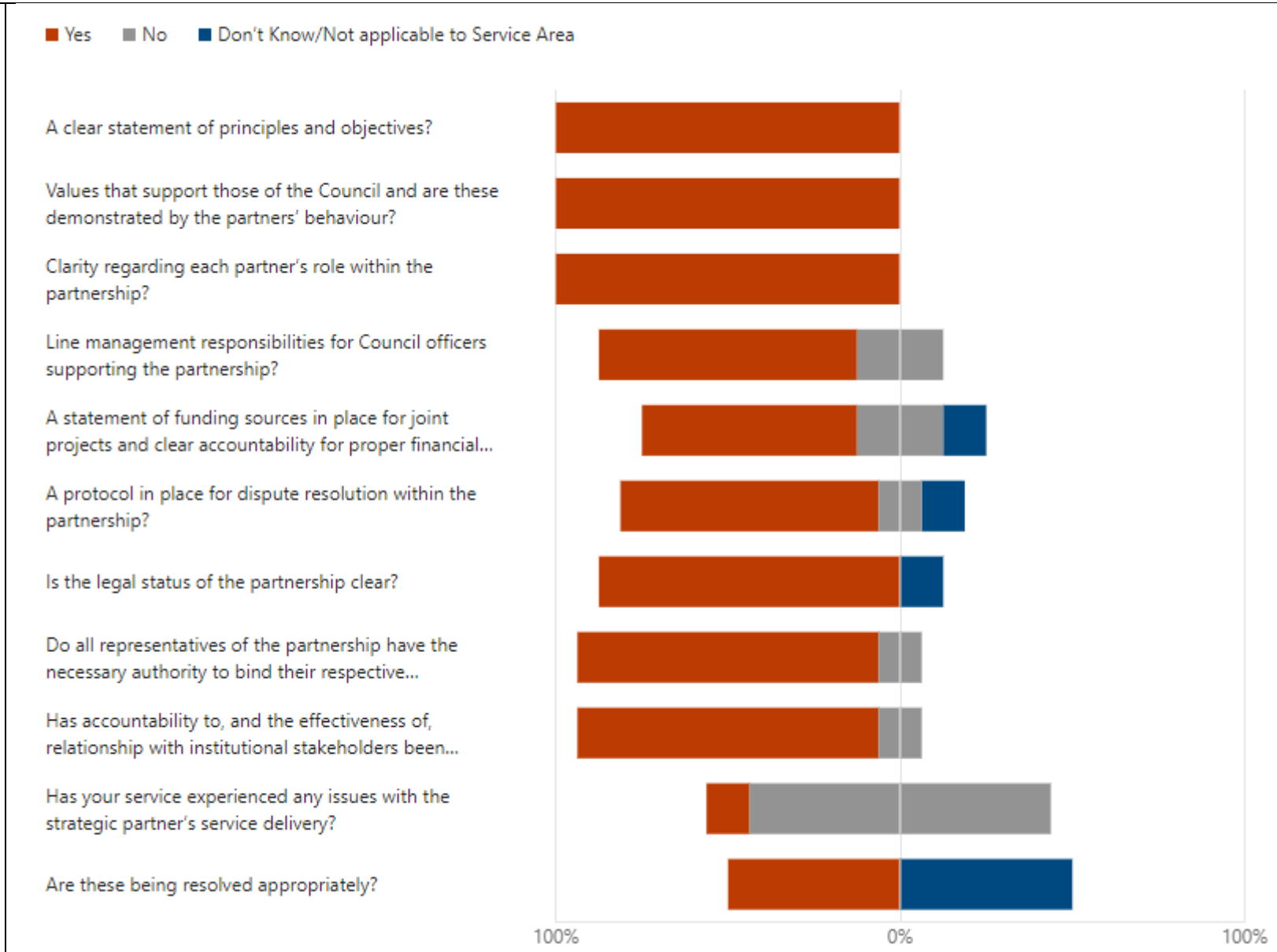

Yes
No
Don't Know/Not applicable to Service Area
Do your officers comply with Employee Code of Conduct?
Are there appropriate procedures in place for members and officers to manage outside interests so that they...
Is there a gift and hospitality register and is there a specific person identified for its administration?
Have you had to take any action in respect of any declarations of interest or gifts and hospitality?
100%
0%
100%


Yes
No
Don't Know/Not applicable to Service Area
Are officers aware of and understand the Councils Anti-Fraud, Bribery and Corruption Policy?
Are whistleblowing procedures embedded into the service?
Have you received any referrals under the Whistle Blowing Policy?
100%
0%
100%

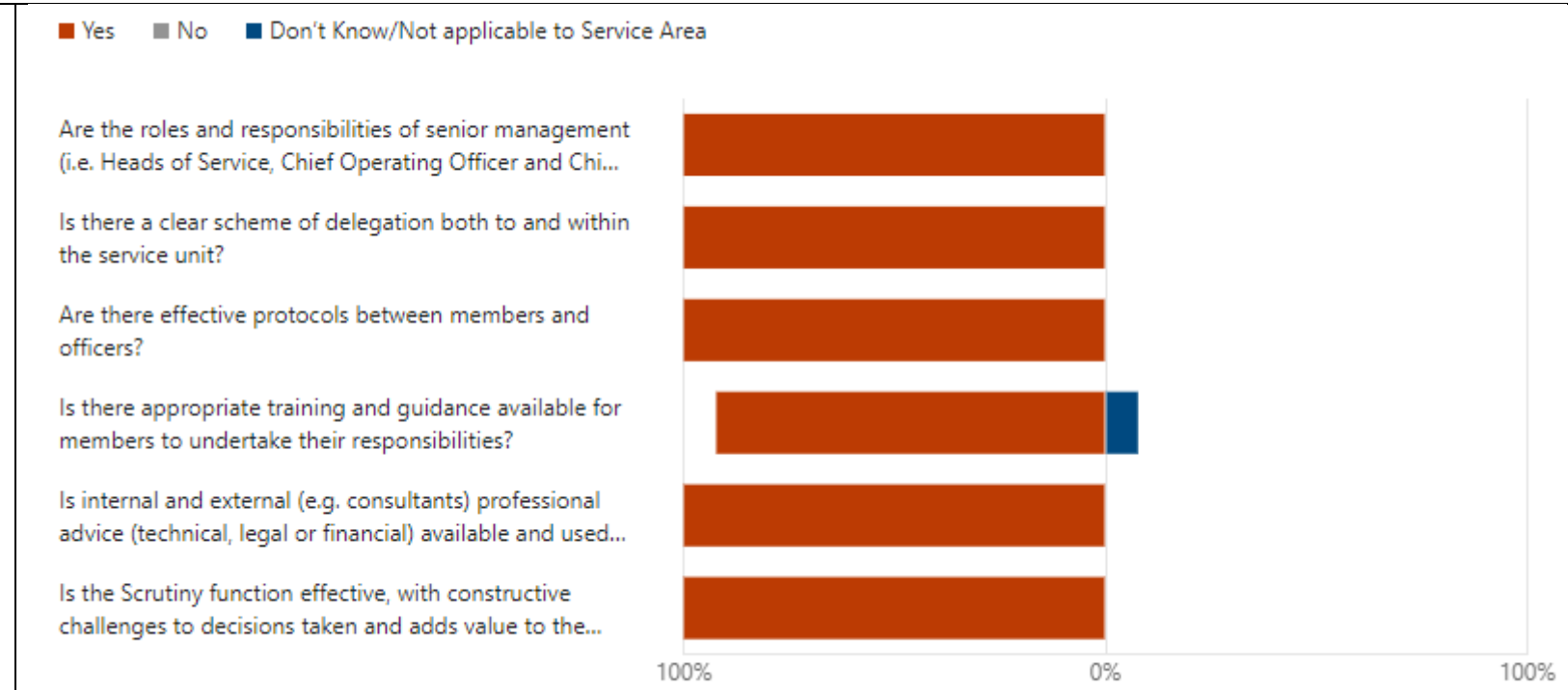

Yes
No
Don't Know/Not applicable to Service Area
Are officers aware of legal and regulatory requirements that must be observed in your service area?
Are new or amended legislation / regulations communicated to staff and is appropriate action is...
Do you complete checks to ensure your officers comply with those regulations?
100%
0%
100%


Yes
No
Don't Know/Not applicable to Service Area
Is there an effective complaints procedure in place to deal with problems in service delivery?
Have you received any complaints about service delivery?
Have you received any compliments / awards regarding your service delivery?
Do you have a policy that identifies the issues that require consultation and engagement including a...
100%
0%
100%


Yes
No
Don't Know/Not applicable to Service Area
Do you maintain an inventory of assets and stock records (if applicable)?
If yes, is this information held in a secure location?
Are these regularly reviewed?
Are there arrangements in place to ensure that all assets are properly safeguarded against unauthorised...
100%
0%
100%


Yes
No
Don't Know/Not applicable to Service Area
A clear statement of principles and objectives?
Values that support those of the Council and are these demonstrated by the partners' behaviour?
Clarity regarding each partner's role within the partnership?
Line management responsibilities for Council officers supporting the partnership?
A statement of funding sources in place for joint projects and clear accountability for proper financial...
A protocol in place for dispute resolution within the partnership?
Is the legal status of the partnership clear?
Do all representatives of the partnership have the necessary authority to bind their respective...
Has accountability to, and the effectiveness of, relationship with institutional stakeholders been...
Has your service experienced any issues with the strategic partner's service delivery?
Are these being resolved appropriately?
100%
0%
100%


Yes
No
Don't Know
Have values for the company been agreed and are they used as a framework for decision making and...
Are company governance procedures reviewed on a regular basis to ensure that they remain fit for...
Can the company demonstrate a clear process, including criteria, evidence and rationale for...
Are activities being undertaken by the company still in line with the vision statement?
Is there a process in place ensuring that decisions are clearly documented and communicated?
Are the arrangements in place for monitoring performance effective?
Is there a clear structure setting out decision-making processes and delegations that is operating...
Does the board review its effectiveness on a regular basis?
Are robust procedures in place to support board meetings?
Are strategic and operational risks identified, considered and managed effectively?
Is the shareholder agreement kept under review so that it remains fit for purpose?
100%
0%
100%


Yes
No
Don't Know/Not applicable to Service Area
Are the roles and responsibilities of senior management (i.e. Heads of Service, Chief Operating Officer and Chi...
Is there a clear scheme of delegation both to and within the service unit?
Are there effective protocols between members and officers?
Is there appropriate training and guidance available for members to undertake their responsibilities?
Is internal and external (e.g. consultants) professional advice (technical, legal or financial) available and used...
Is the Scrutiny function effective, with constructive challenges to decisions taken and adds value to the...
100%
0%
100%

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APPENDIX 2 - CODE OF CORPORATE GOVERNANCE

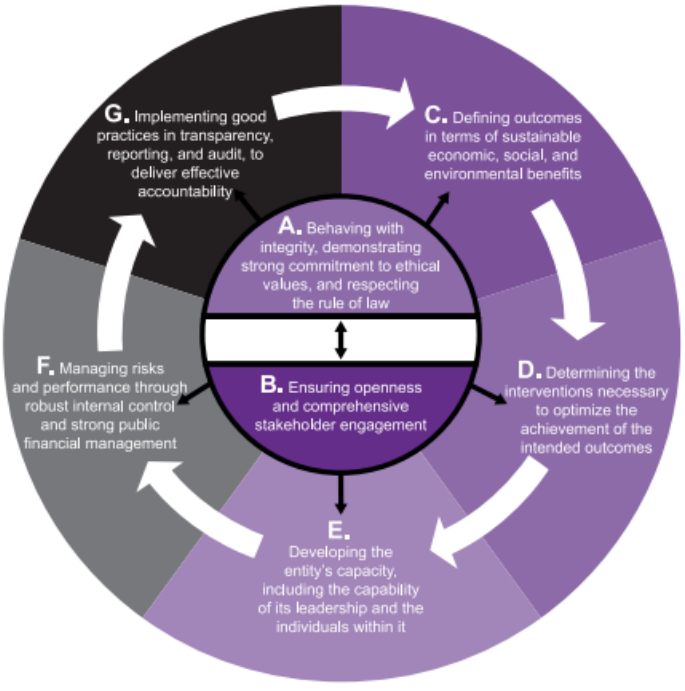
Introduction

Each year the Council conducts a review of the effectiveness of its system of internal control and governance arrangements to ensure compliance with its Code of Corporate Governance. This review forms part of the assurance gathering process to produce the Annual Governance Statement (AGS). The Code has been revised in accordance with the CIPFA/ SOLACE Delivering Good Governance in Local Government Framework 2016.

A summary of Plymouth City Council's local arrangements in place to comply with each of the core principles can be found in the Annual Governance Statement (AGS) which is prepared on behalf of the Leader of the Council and the Chief Executive and submitted to the Audit and Governance Committee for consideration and review. It is the Audit and Governance Committee's responsibility to monitor the performance of the Council's governance procedures against the Code. Following approval, the AGS is published alongside the Statement of Accounts on the Council's website.

Code of Corporate Governance

Governance is about how the Council ensures that it is doing the right things in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
It comprises the systems, processes, cultures and values by which the Council is directed and controlled and through which it accounts to, engages with, and leads its communities.
The diagram below illustrates how the various principles for good governance in the public sector relate to each other. The seven core principles each contain a set of supporting principles, which in turn have a range of specific requirements that apply across the Council's business and these are described in detail on the following pages.



Core principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Description: Local government organisations are accountable not only for how much they spend, but also how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values to respect the rule of law.

Sub-principles:

Behaving with integrity

- Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.
- Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).
- Leading by example and using these standard operating principles or values as a framework for decision making and other actions.
- Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.

Demonstrating strong commitment to ethical values

- Seeking to establish, monitor and maintain the organisation's ethical standards and performance.
- Underpinning personal behaviours with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.
- Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.
- Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.

Respecting the rule of law

- Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.
- Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.
- Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.
- Dealing with breaches of legal and regulatory provisions effectively.
- Ensuring corruption and misuse of power are dealt with effectively.

Core principle B – Ensuring openness and comprehensive stakeholder engagement
Description: Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.
Sub-principles: **Openness** ▪ Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness. Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.

▪ Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.
▪ Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.
▪

Engaging comprehensively with institutional stakeholders

▪ Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.
▪ Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.
▪ Ensuring that partnerships are based on:
  • Trust,
  • a shared commitment to change,
  • a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.

Engaging stakeholders effectively, including individual citizens and service users

▪ Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.
▪ Ensuring that communication methods are effective and members and officers are clear about their roles with regard to community engagement.
▪ Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.
▪ Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.
▪ Balancing feedback from more stakeholder groups with other stakeholder groups to ensure inclusivity.
▪ Taking account of the interests of future generations of tax payers and service users.

Core principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

Description: The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

Sub-principles:

Defining outcomes

- Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.
- Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.
- Delivering defined outcomes on a sustainable basis within the resources that will be available.
- Identifying and managing risks to the achievement of outcomes.
- Managing service user's expectations effectively with regard to determining priorities and making the best use of the resources available.

Sustainable economic, social and environmental benefits

- Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.
- Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.
- Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.
- Ensuring fair access to services.

Core principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

Description: Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

Sub-principles:

Determining interventions

- Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.
- Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills and assets and bearing in mind future impacts.

Planning interventions

- Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.
- Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.
- Considering and monitoring risks facing each partner when working collaboratively including shared risks.
- Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.
- Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.
- Ensuring capacity exists to generate the information required to review service quality regularly.
- Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.
- Informing medium and long term resource planning by drawing up realistic estimates of revenues and capital expenditure aimed at developing a sustainable funding strategy.

Optimising achievement of intended outcomes

- Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.
- Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.
  Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues of responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.
- Ensuring the achievement of 'social value' through service planning and commissioning.

Core principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it

Description: Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened

by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Sub-principles:

Developing the entity's capacity

- Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness.
- Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently.
- Recognising the benefits of partnerships and collaborative working where added value can be achieved.
- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.

Developing the capability of the entity's leadership and other individuals

- Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.
- Publishing a statement that specifies the type of decisions that are delegated and those reserved for the collective decision making of the governing body.
- Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.
- Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by;
  - Ensuring members and staff have access to appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.
  - Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.
  - Ensuring personal, organisational and system wide development through shared learning, including lessons learned from governance weaknesses both internal and external.
- Ensuring that there are structures in place to encourage public participation.
- Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.
- Holding staff to account through regular performance reviews which take account of training or development needs.
- Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

Core principle F – Managing risks and performance through robust internal control and strong public financial management

Description: Local government needs to ensure that the organisation and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Sub-principles:

Managing risk

- Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.
- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.
- Ensuring that responsibilities for managing individual risks are clearly allocated.

Managing performance

- Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.
- Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.
- Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible. Encouraging effective and constructive challenge and debate on policies and objectives to support balance and effective decision making.
- Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.
- Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).

Robust internal control

- Aligning the risk management strategy and policies on internal control with achieving the objectives.
- Evaluating and monitoring the authority's risk management and internal control on a regular basis.
- Ensuring effective counter fraud and anti-corruption arrangements are in place.
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.
- Ensuring an Audit and Governance Committee or equivalent group or functions which is independent of the executive and accountable to the governing body;

- Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment.
- That its recommendations are listened to and acted upon.

Managing data

- Ensuring effective arrangements are in place for the safe collection, storage, and use and sharing of data, including processes to safeguard personal data.
- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.
- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.
- Strong public financial management
- Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.
- Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.

Core principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

Description: Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Sub-principles:

Implementing good practice in transparency

- Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.
- Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.

Implementing good practices in reporting

- Reporting at least annually on performance, value for money and the stewardship of its resources in a timely and understandable way.
- Ensuring members and senior management own the results reported.
- Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an evidence to demonstrate good governance (annual governance statement).
- Ensuring that the framework is applied to jointly managed or shared service organisations as appropriate.
- Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.

Assurance and effective accountability

- Ensuring that recommendations for corrective action made by external audit are acted upon.
- Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon.
- Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing

recommendations.

- Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.
- Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.

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Audit and Governance Committee

Date of meeting:	23 July 2024
Title of Report:	**Public consultation regarding the Council's electoral cycle**
Lead Strategic Director:	Tracey Lee (Chief Executive)
Author:	Liz Bryant (Head of Legal Services)
Contact Email:	Liz.bryant@plymouth.gov.uk
Your Reference:	Electoral Cycle 2024
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

In November 2022, the City Council agreed to undertake a public engagement on the future Electoral Cycle for the Council. Following this, on 20 March 2023 Audit and Governance Committee considered the consultation process and approved the consultation question. At its EGM on Monday 24 June 2024 the City Council delegated authority to Audit and Governance Committee to finalise the details of the consultation process. The Committee is therefore being asked to endorse the recommended approach to carrying out the consultation and engagement activity. This consultation aims to engage with stakeholders across the city on whether they would like to change to 'whole council elections' to elect their local councillors or keep the current system.

In order to consider a change to electoral cycle, the Council is required to undertake a public consultation process. In doing so however, the authority is not bound to seek a resolution to amend the electoral cycle. Whilst the result of any consultation conducted must be considered as part of the Council's decision-making process, it does not commit the council or any other entity to a particular course of action.

Recommendations and Reasons

1. The consultation is carried out over eight weeks from 24 July 2024 to 22 September 2024 – this extended time ensures ample time for consideration over the summer period.

2. The approach as outlined in Appendix One is agreed regarding the implementation of the consultation, in particular who will be consulted / engaged with and how – this detailed plan will ensure that the Gunning Principles are adhered to.

3. The feedback from the consultation will be analysed and submitted to Audit and Governance Committee before being presented to the City Council in November 2024 when the decision will be taken. This is to ensure members have time to consider the feedback and subsequent recommendations.

4. The outcome of the decision taken by the Council regarding our future electoral cycle will then be submitted to the Local Government Boundary Commission before they commence their warding patterns review later in the year.

Alternative options considered and rejected
The decision to hold consultation was agreed by the City Council on 21 November 2022. The recommendations in this report are around the scope of that consultation – therefore no alternatives have been considered.

Relevance to the Corporate Plan and/or the Plymouth Plan
The Corporate Plan commits the Council to engaging with and listening to our residents, businesses and communities. The Council's values include a commitment to Plymouth being a place where people can have their say about what is important to them, and where they are empowered to make change happen. The recommendations of this report seek to deliver these commitments in respect of a key element of the Council's democratic arrangements.

Implications for the Medium Term Financial Plan and Resource Implications:
The costs associated with a public consultation and analysis of the results, likely to be in the region of £5k will be met from within existing revenue resources. The financial implications of any change to the Council's electoral cycle are referenced within the accompanying briefing report, but do not arise as a result of the recommendation of this report, as the results of the consultation exercise would not be binding on the Council, and any decision about changing the electoral cycle would be a matter for future consideration by the Council.

Carbon Footprint (Environmental) Implications:
The consultation will take place largely online, reducing reliance on printed media, although paper copies will be available where necessary.

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

Appendices
**Add rows as required to box below*

Ref.	Title of Appendix	**Exemption Paragraph Number** (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
		1	**2**	**3**	**4**	**5**	**6**	**7**
1	Electoral Cycle Consultation							
2	Draft Press Release							
3	Electoral Cycle Communication and engagement Assets							

Background papers:

**Add rows as required to box below*

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

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

Sign off:

Fin	DJN.24.25.041	Leg	LS/0000360 9/6/LB/10/07/24	Mon Off	N/A	HR	N/A	Assets	N/A	Strat Proc	N/A
Originating Senior Leadership Team member: Liz Bryant											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 12/07/2024											

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ELECTORAL CYCLE CONSULTATION APPROACH

Audit and Governance Committee 23 July 2024: Appendix A

BACKGROUND

Currently, the council has an 'elections by thirds' system, meaning a third of its 57 councillors are elected every year in a four-year cycle (with no elections in the fourth year). This costs around £380k per election.

The council has agreed to consult on its electoral cycle, asking communities in Plymouth whether we should stay as we are, or move to an alternative where local elections are held every four years, with all 57 seats on the Council being contested at the same time. The move to conduct elections every four years is estimated to save around £1.4m over a ten-year period.

A report was presented to Council in March 2022, which sought the Council's endorsement to carry out a public consultation and to engage with communities across the city on the issue of staying as we are or moving to whole council elections. At the Audit and Governance Committee in the following July, it was agreed that the consultation would be carried out following discussions with Southampton City Council, who had recently undertaken both an Electoral Review with the Local Government Boundary Commission for England (LGBCE) and a review of their electoral cycle.

Following these discussions, it has now been agreed that Plymouth will consult on the electoral cycle in the summer of 2024, and for full Council to make a final decision in November 2024.

It is important to be clear that this is not vote or a referendum. It is a way of gathering the views of local people in an advisory capacity, before full Council makes its final decision. In addition, the consultation will consider not just the views of residents currently eligible to vote, but also feedback from across the city including local businesses, voluntary organisations and young people who will be able to vote in the coming years.

This communications plan outlines how we will make the communities in Plymouth aware of the proposals and invite them to submit their views. Ensuring that the consultation process adheres to the Gunning Principles as follows:

- Proposals are still at a formative stage: A final decision has not yet been made, or predetermined, by the decision makers
- There is sufficient information to give 'intelligent consideration': The information provided must relate to the consultation and must be available, accessible, and easily interpretable for consultees to provide an informed response
- There is adequate time for consideration and response: There must be sufficient opportunity for consultees to participate in the consultation.
- 'Conscientious consideration' must be given to the consultation responses before a decision is made: Decision-makers should be able to provide evidence that they took consultation responses into account

CONSULTATION OBJECTIVES

- Raise awareness of the current electoral cycle model and the pros/cons of the current system and of the alternative model
- Ensure that all other stakeholders in the city are aware of the consultation and the implications to local decision making
- Encourage residents and local communities to submit their view – striving to have a representative view from all wards and all demographics

KEY MESSAGES

This is not a referendum or a vote. However, it is important that the consultation is clear as to the pro's and con's of each electoral cycle model to enable everyone to make an informed viewpoint Therefore, we will focus on the following key messages:

- This consultation is important in informing full Council when making their decision on the future electoral cycle of the Council. This consultation is not a vote or a referendum – views will form an advisory part of the decision-making process
- We are being open and transparent about the pro's and con's to each model

SUMMARY OF NARRATIVE

Current model for elections (by thirds)

Plymouth currently has 57 elected members, representing residents across 20 wards. 17 of these wards have three members, and the remaining three wards have two members. The council currently uses a 'by thirds' electoral system. This means that councillors are elected for a 4 year term and at each of these elections a third of the council is elected. For the 2-member wards there are no elections in the third year. In the fourth year there are no elections in any ward.

Perceived positives of this system:

- Process known and understood.
- More opportunities for voters.
- Councillors and political parties held to account by voters more regularly.
- Local issues not confused with national issues.
- Allows for gradual change at the Council.
- Can ensure that the political composition of authorities more accurately reflects the local political context.
- Continuity of Councillors.

Perceived negatives of this system:

- Less stability – regular changes of political control can affect local businesses and Council services.
- Confusing for the electorate as to which candidate is to be elected and what the process is.
- It is difficult to see through major policy decisions, or large infrastructure or regeneration projects in a single year.
- Difficult or unpopular decisions can be put off for future years, rather than taken when needed.
- Constant year on year campaigning by councillors and political parties may lead to voter fatigue and a lack of interest.

Alternative model for elections (all out every four years):

This process (called 'All Out Elections') would see all councillors in every ward up for election at the same time once every four years.

Perceived benefits of this system:

- Electorate can vote on four-year manifestos and long-term commitments.
- Clearer opportunity for the electorate to change the political composition of the Council.
- Electors more likely to understand the election cycle.
- Same electoral cycle as Police and Crime Commissioner and elections which take place every four years.
- Fewer elections may mean less election fatigue and voter apathy.
- Reduced costs. By holding a local election every year costs around £380k every year. If we move to conducting elections every four years, it is estimated that we will save £1.4m.

Perceived negatives of this system:

- Risk that some electors will disengage.
- Risk that such a change would be perceived as less democratic.
- A large turnover of councillors may lead to disruption, particularly if the direction of the council is changed significantly.
- Political complacency.
- May lead to more by-elections taking place and an increase in costs.
- Potential loss of experienced councillors.
- Less frequent elections could be detrimental to encouraging candidates to stand for election as the opportunity to serve on the Council will be less frequent.

KEY DATES

23 July	Audit and Governance Committee to agree consultation approach
24 July	Launch of consultation (eight-week consultation with two weeks either side of the August holiday period)
22 September	Close of consultation
22 October	Draft consultation report finalised
29 October	CMT briefing / discussion
4 November	Cab Planning briefing / discussion
7 November	Publish Audit and Governance Committee papers
14 November	Audit and Governance Committee
15 November	Publish Council papers
25 November	Full Council

CONSULTATION APPROACH

The consultation will involve a mixture of approaches:

1) A survey for the general public / businesses
2) Written submissions from key partners / businesses and other organisations
3) Feedback gathered from a series of workshops / briefings

The consultation will be asking people:

Which option would you prefer for Plymouth residents to elect their councillors?

- **Change to 'Whole Council Elections'** (One election every four years, where all councillors are elected at the same time)
- **Keep the current system** (One councillor in each ward is elected every year for a four-year term. Elections occur every year, for three years, with no election in the fourth year)
- **I have no preference**

Open text box: **Why do you think this is the best option?**

The consultation will ask for some demographic information so that we can ensure feedback is being received from across different communities and geographies in the city:

Age
Disability
Postcode (first part only e.g. PL3, EX20)

Representation

- I am a local resident
- I represent a local business
- I am a serving MP or Councillor
- I live / work outside of the area
- I am a student / in education
- I represent a public sector organisation
- I represent a voluntary / community organisation

Copies of the survey will be available in hard copy from local libraries. In addition, information will be made available in different formats e.g. large print / alternative languages etc on request. When evaluated, the results of the survey will be presented, alongside the key themes / feedback from the workshops, and written submissions.

STRATEGY

We are proposing the following campaign phases:

Phase One: Have your say	• How people can have their say • Why should people care about our electoral cycle. • Ensuring that voices from all parts of the community are able to have their say.	During the consultation
Phase Two: Feeding back the result	• Demonstrating that 'your views' matter	Once the consultation has concluded

STAKEHOLDERS / TARGET AUDIENCES

It is proposed that the consultation will reach out to:

- The public/electorate
- Younger people who will be eligible to vote from 2026 onwards
- Serving Councillors
- Members of Parliament
- Other political parties
- Key city partners
- Community and voluntary sector
- Businesses

We will carry out a full stakeholder mapping exercise to ensure that all stakeholders, particularly those linked to the above audiences, will be targeted.

An internal communications plan will be developed to reflect the external messaging, this includes information in Staff News, Staffroom and Team Talk and video screens.

IMPLEMENTATION

The below outlines a selection of the tools that we propose to use for the campaign.

Branding:
To ensure that there is consistency of look and feel across materials, we will develop a brand for the consultation. This will cost approx. £300.

Press Release:
We will draft and issue a press release and issue to our local / regional media.

Website:
We will include the latest information, FAQs and signposts on our website, including on our front page.

The Chronicle:
To maximise the opportunity for those without access to digital channels to still receive the information, we will include updates in The Chronicle – including regular half page adverts. Chronicle size is a half page: 264x160 and costs £1,580 + VAT (for all four editions) plus design costs.

Letters:
Email all those people on the electoral register to let them know about the consultation – signposting people to the website.

Libraries:
Ensure that library staff are well-briefed on the proposals so members of the public who are not digitally enabled have somewhere they can find out more information and pick up a hard-copy consultation form to have their say. We will also place advertising on their digital display boards. There will be approximately a £200 design and printing cost.

Resident news:
Throughout the campaign, we will have regular updates in our resident's e-newsletter, providing a clear rationale / signposting for more information and a clear call to action, inviting people to 'have their say.'

Posters:
We will display posters in key locations around the city e.g. Council buildings / libraries / car parks.

Stakeholder toolkits:
We will create a series of stakeholder toolkits to distribute information to key individuals or organisations (including councillors), enabling them to cascade on our behalf. Full stakeholder mapping will be carried out, but will include:

- Universities
- Plymouth Community Homes
- Babcock / Armed Forces
- NHS / Hospital
- Business community
- Voluntary Sector – particularly those representing older residents or residents with disabilities

Briefings:
We will hold briefings for elected members / existing external forums e.g. Chamber of Commerce / MPs to present the consultation, answer any questions and gather feedback. These will be facilitated by the Elections Team.

Letters:
Letters will be sent to key stakeholders (including wider political groups), outlining the information and inviting them to submit their feedback in writing.

Accessible workshops:
Working with Youth Services and other key organisations, we will seek to gather the views of a number of stakeholder groups, via a series of workshops with e.g. Youth Parliament / local schools. These will be facilitated by the Elections Team.

Digital promotion:
We will have a series of posts on all PCC social media accounts (Facebook / Twitter / Instagram / Linkedin and Next Door) that are posted regularly throughout the campaign.

However, we will also programme a series of paid-for advertising posts, looking at all aspects of the campaign, particularly targeting those residents in the economically deprived wards, who would not typically respond to Council consultations. We will have a strategic digital advertising plan that will be targeted at different demographics e.g. students / older people etc. This cost is flexible, however the bigger the budget, the more people will be reached. It is therefore recommended we spend £3,000 as a minimum, plus design costs.

Staff Communication:
We will promote the consultation via our staff communication tools e.g. Staff Room / Staff News.

TOTAL COST

The total cost for publicity for this project is estimated as: £5,000.

EVALUATION

We will check the success of the campaign throughout its delivery, to ensure that we are getting feedback from across the city. We will adapt the campaign as we go. We will report back throughout the campaign to the working group and ensure that we provide a communications summary at the end of the campaign.

We will ensure that we feedback to all those who participate by publishing the results of the consultation as part of the Council decision. This will be advertised throughout the campaign.

ELECTORAL CYCLE CONSULTATION PRESS RELEASE (DRAFT)
Audit and Governance Committee 23 July 2024: Appendix B

Have your say on how often we should hold local elections

A consultation has launched inviting people to have their say on whether the current local electoral cycle in Plymouth should be overhauled.

Last year members agreed that the council would undertake a consultation asking the public for their views on whether we should continue using the current cycle of local elections or move to 'whole council' elections once every four years.

The council currently elects a third of its councillors in three out of every four years, with no elections taking place on the fourth year. Residents have the opportunity to express their view to retain this electoral cycle or to move to a 'whole council' cycle which would mean that all councillors in the city would be elected at once every four years, with no elections happening in the three years between elections, apart from potential by-elections.

The consultation provides additional information including arguments in support of both options. The deadline for feedback is: 22 September 2024.

Have your say (Link to the consultation page)

Councillor Sarah Allen, Chair of Audit and Governance Committee, said: "This is a really important decision that the Council needs to take, and it is vital that we gather the views from a range of people from across the city.

"It is important that people look at the pros and cons of the two options and give us their honest views. Democracy must work in everybody's best interest. The process has to be thorough and fair so that we end up with the right system for Plymouth.

“I would encourage everyone to take part in the consultation using the online feedback form and paper copies in libraries so that councillors can understand the views of residents before making their decision."

The timing of the consultation links to a review of electoral boundaries taking place in Plymouth later this year, led by the independent Local Government Boundary Commission for England (LGBCE).

An electoral review is an examination of a Council’s electoral arrangements focussed on the total number of councillors elected to the Council, the number of wards and their boundaries, the number of councillors for each ward and the name of each ward. The LGBCE will undertake their own consultation on these matters in due course, when you will have an opportunity to provide your views.

After the Council’s consultation period on the electoral cycle has finished, all councillors will meet in November to consider all the feedback received and decide on whether or not to change the cycle. No other elections would be affected by any potential change to Plymouth City Council's electoral cycle. Parliamentary and Police, Fire and Crime Commissioner elections would continue with their normal electoral cycle.

ELECTORAL CYCLE CONSULTATION
COMMUNICATIONS ASSETS

SOCIAL MEDIA

Call to take survey....





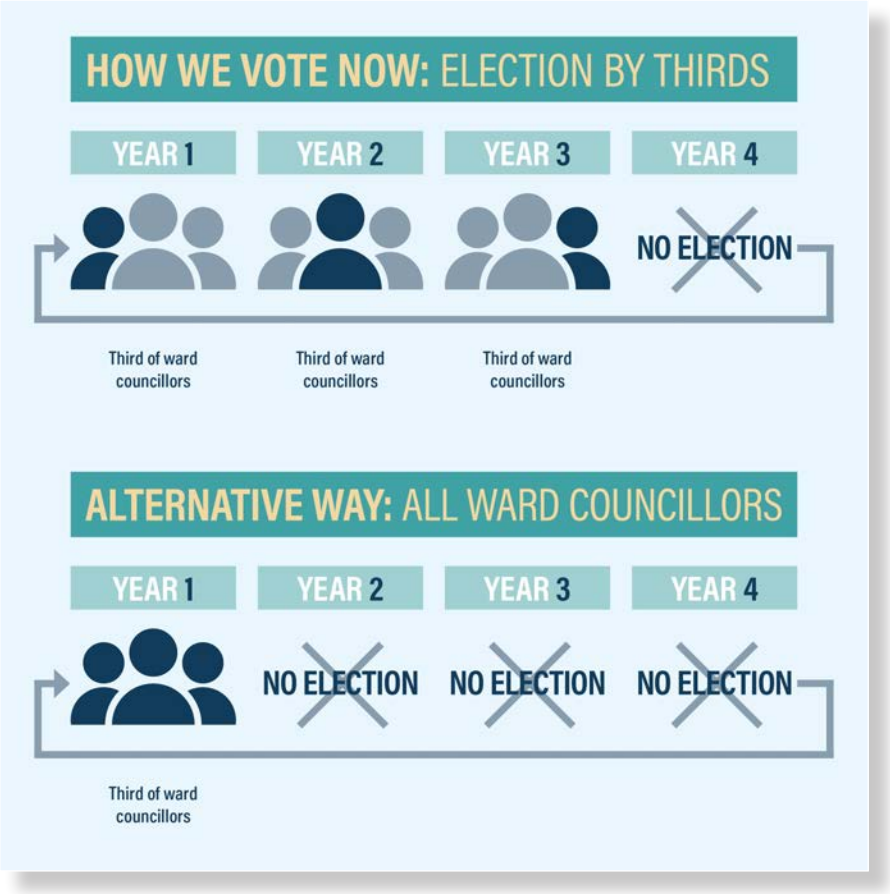




ELECTORAL CYCLE CONSULTATION
COMMUNICATIONS ASSETS

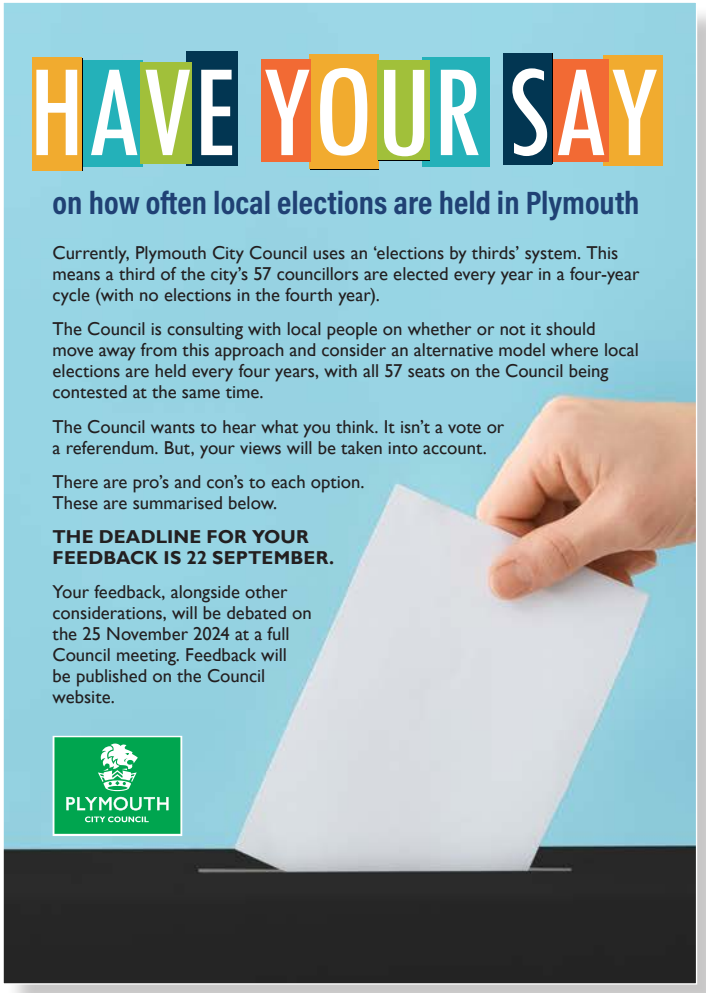
SOCIAL MEDIA

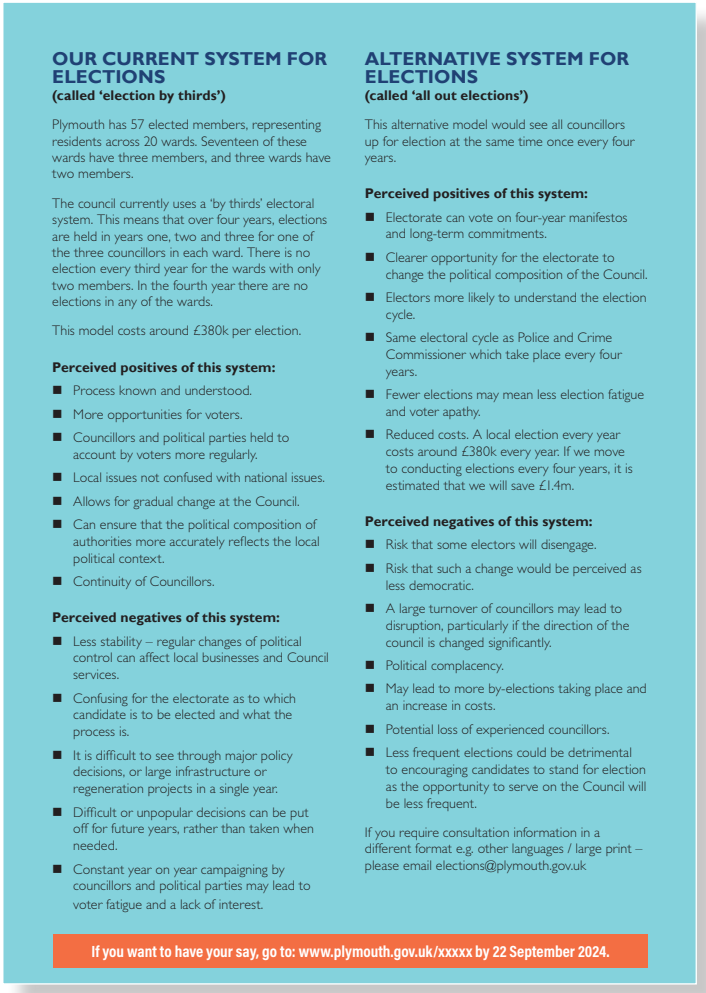
Electoral Cycle Explanation



ELECTORAL CYCLE CONSULTATION
COMMUNICATIONS ASSETS

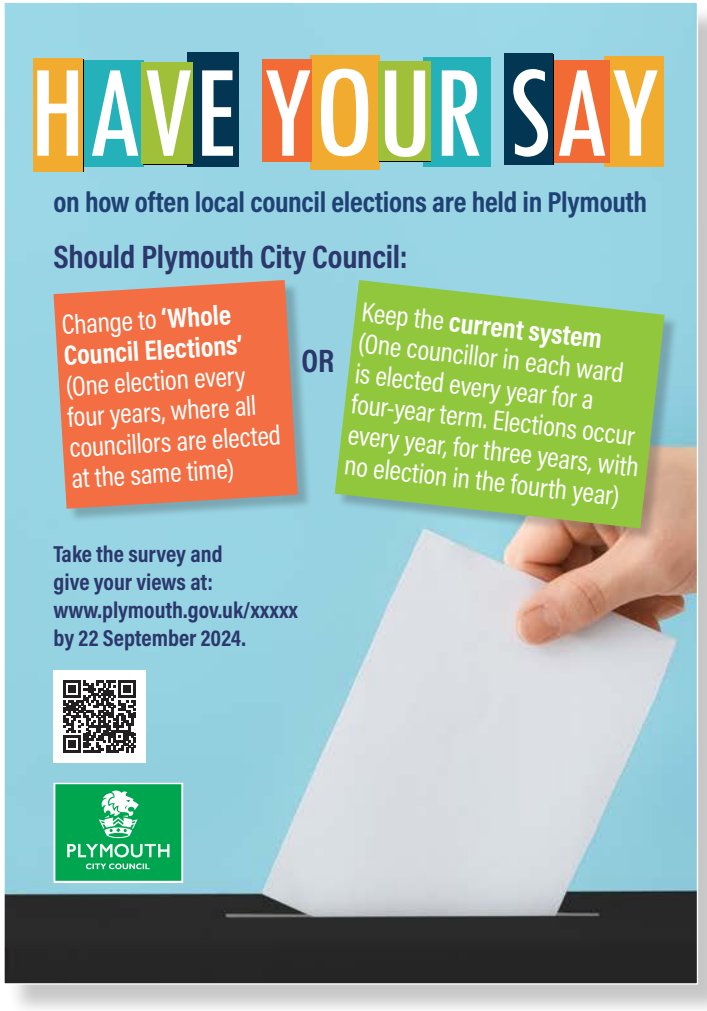
FACTSHEET





ELECTORAL CYCLE CONSULTATION
COMMUNICATIONS ASSETS

POSTER / FLYER



Audit and Governance Committee

Date of meeting:	23 July 2024
Title of Report:	**Stage Three – Constitutional Changes**
Lead Member:	Sarah Allen (Chair of Audit and Governance Committee)
Lead Strategic Director:	Liz Bryant, Monitoring Officer, Head of Legal Services
Author:	Ross Jago, Head of Governance Performance and Risk
Contact Email:	Ross.jago@plymouth.gov.uk
Your Reference:	Const3.24/25
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

1.1. Under provisions contained within the Local Government Act 2000 (as amended) the Council is required to prepare and maintain a constitution.

1.2. The Constitution must contain:

- The standing orders and rules of procedure of the Council;
- The Members' Code of Conduct;
- Such other information as the Secretary of State may direct;
- Other information (if any) as the Council considers appropriate.

1.3. Over the last twelve months members of the Audit and Governance Committee joined with other councillors in a working group to review gaps in procedure and conflicting provisions within the Constitution which had been identified during the course of the 2022/23 municipal year.

2. Stage Three recommendations

2.1. Proposed changes are as follows:

Rules of debate

2.2. Set an expectation (but not a rule) that amendments to modify motions will be received one working day in advance, members may still move amendments on the day but will require an adjournment.

2.3. A section on closure motions, which does not substantively change the Rules of Debate but outlines the process for using them more clearly.

Council Procedure Rules -Part B

2.4. A new deadline for motions on notice. This will be seven clear working days in advance of the meeting which will allows officers adequate time to review the motions/check legality etc - before the Monitoring Officer, in consultation with the Lord Mayor, approves motions for inclusion in the agenda.

2.5. A time limit for motions of two hours. Any motions not discussed in that session will need to be resubmitted for a future council meeting. When the two-hour limit is reached a proposer of a motion may sum up before council moves to the vote.

Recommendations and Reasons

That Audit and Governance Committee

1) Recommends to full council for approval –
   a) Amended Part B, council procedure rules as set out in the appendices.
   b) New Rules of Debate as set out in the appendices.

Reason: Changes to the constitution are recommended by Audit and Governance Committee to Full Council to address immediate changes to improve the efficiency of Council meetings and the clarity of procedure.

Alternative options considered and rejected
None – the review of the constitution is a response to issues identified through the municipal year/ 2022/23

Relevance to the Corporate Plan and/or the Plymouth Plan
Effective decision and good governance impacts upon all aspects of the Corporate Plan. Proposed changes to the constitution will ensure efficient governance processes in support of the Corporate Plan.

Implications for the Medium Term Financial Plan and Resource Implications:
None as a result of this report.

Financial Risks

None as a result of this report.

Carbon Footprint (Environmental) Implications:
None as a result of this report.

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

N/A

Appendices
**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
		1	2	3	4	5	6	7
A	Revised Part B							
B	Revised Rules of Debate							

Background papers:

**Add rows as required to box below*

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

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

Sign off:

Fin	**N/A**	Leg	LS/0003609/7/LB/11/07/24	Mon Off	LS/0003609/7/LB/11/07/24	HR	Click here to enter text.	Assets	Click here to enter text.	Strat Proc	Click here to enter text.

Originating Senior Leadership Team member: Liz Bryant, Monitoring Officer and Head of Legal Services

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

Date agreed: 12/07/2024

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PLYMOUTH CITY COUNCIL CONSTITUTION

PART B: RESPONSIBILITY FOR COUNCIL FUNCTIONS, THE COUNCIL AND COUNCIL PROCEDURES

1. Responsibility for council functions

1.1. The Government has for the most part prescribed which functions the Council is to be responsible for. Where functions are not prescribed as the responsibility of the Council they will be determined by the Leader.

1.2. The Council delegates some of its responsibilities to a Committee, a joint committee, or an officer. The Council can take back responsibilities it has delegated to a Committee, a Joint Committee or an Officer, or decide to delegate them on certain conditions.

2. Delegation by committees

2.1. Committees can authorise a sub-committee or an officer to carry out their delegated responsibilities on their behalf.

3. Council functions

Functions that may only be exercised by the council

Procedural Functions

- To adopt and uphold the Constitution of the Council;
- To agree the roles and responsibilities of all non-executive committees and keep them under review and to delegate non-executive functions to officers;
- To elect the Leader of the Council;
- To elect the Lord Mayor and Deputy Lord Mayor of the Council;
- To agree the composition and membership of all non-executive committees unless the function has been delegated by the Council;
- To adopt Standing Orders and Financial Regulations for the Council and to keep them under review;
- To adopt a Code of Conduct for Councillors and any Councillor/Officer Protocols;
- To appoint any individual to any outside bodies not within the remit of the Cabinet and suspend and/or revoke any such appointment;
- To consider any report from the non-executive committees;
- To consider any matters referred to the Council for decision.

Functions relating to the Budget, Policy, the Council and the City

- To agree the Council's revenue and capital budgets;
- To set the Council Tax levels;
- To approve Prudential Indicators for Capital;
- To take decisions about proposals which do not comply with the Policy Framework or Budget, unless they are urgent. The procedure for dealing with Urgent decisions that are outside the Policy Framework and Budget is in Part B .
- To agree the Council's Policy Framework and Budget; (Appendix 1(2))
- To keep under review ward boundaries and to decide the Council's response to any proposals by the Local Government Boundary Commission affecting the authority's electoral boundaries;
- Any other matter by law required to be considered or determined by the Council;
- To promote or oppose local, personal or other Bills of Parliament;
- To determine the Council's Scheme for Councillors' Allowances in Appendix 1 (1) after

having regard to the Independent Remuneration Panel's report;
- To approve any application to the Secretary of State in respect of any Housing Land Transfer;
- To appoint the Head of Paid Service (Chief Executive);
- To receive any report by the Responsible Finance Officer;
- To receive any report by the Monitoring Officer (Head of Legal Services)
- To receive any report by the Chief Executive
- To make, amend, revoke or re-enact any byelaws to apply within the unitary boundaries.
- To receive any report of the Council's Committees as appropriate.

Functions Relating to Elections and the Name and Status of Areas and Individuals

- To change the name of the city under Section 74 of the Local Government Act 1972.
- To confer the title of Freedom of the City, Honorary Alderman, Honorary Recorder;
- To appoint any electoral registration officer under Section 8(2) of the Representation of the People Act 1983 (c.2)(c);
- To assign officers in relation to requisitions of the registration officer under Section 52(4) of the Representation of the People Act 1983;
- To appoint a returning officer for Local Government elections under Section 35 of the Representation of the People Act 1983;
- To provide assistance at European Parliamentary elections under Paragraph 4(3) and (4) of Schedule 1 to the European Parliamentary Elections Act 1978 (c.10)(d);
- To divide constituencies into polling districts under Section 18 of the Representation of the People Act 1983;
- To divide wards and parliamentary constituencies into polling districts at local government elections under Section 31 of the Representation of the People Act 1983;
- To exercise all powers in respect of holding of elections under Section 39(4) of the Representation of the People Act 1983;
- To pay expenses properly incurred by electoral registration officers under Section 54 of the Representation of the People Act 1983;
- To fill vacancies in the event of insufficient nominations under Section 21 of the Representation of the People Act 1985;
- To declare vacancy in office in certain cases under Section 86 of the Local Government Act 1972;
- To give public notice of a casual vacancy;
- To determine fees and conditions for supply of copies of, or extracts from, elections documents under Rules 48(3) of the Local Elections (Principal Areas) Rules 1986 (S I 1986 (S I 1986/2214) and rule 48(3) of the Local Elections (Parishes and Communities) Rules 1986 (S I 1986/2215);
- To submit proposals to the Secretary of State for an order under section 10 (pilot schemes for local elections in England and Wales) of the Representation of the People Act 2000 under Section 10 of the Representation of the People Act 2000 (c.2).

4. Council procedure rules

4.1. All Meetings of the Full Council will follow standard Rules of Debate for the conduct of its business in order to facilitate debate in an open but orderly manner.

5. Notice of and summons to meetings

5.1. The Monitoring Officer will give notice to the public of the time and place of any meeting in accordance with the Access to Information Rules. At least five clear working days[1] before a meeting, the Monitoring Officer will send a summons (an agenda) to every Councillor of the Council. The agenda will give the date, time and place of each meeting, specify the business to be transacted and will be accompanied by such reports as are available. Where appropriate, Councillors will, in addition/instead, be notified of the summons by email.

6. Time and place of council meetings

6.1. Ordinary meetings and the Annual Budget meeting usually start at 2pm. The times of extraordinary meetings are decided by the Monitoring Officer. Meetings are usually held in the Council Chamber in the Council House.

6.2. The annual meeting will usually start at 10:30 am at Plymouth Guildhall and will take place within 21 days of the retirement of the outgoing Councillors.

7. Order of business at annual meeting of council

7.1. The order of business will be to:

a) elect the Lord Mayor and the Deputy Lord Mayor
b) elect the Leader (or agree the Leader if the Leader has previously been elected for a four-year term)
c) note the membership of the Cabinet
d) agree committees and their Councillors and appoint Chairs and Vice Chairs
e) agree how Council responsibilities will be carried out
f) note how Executive responsibilities will be carried out
g) nominate or appoint representatives to outside bodies
h) adopt the constitution, if required
i) deal with any other business on the agenda

8. Order of business at ordinary meeting of council

8.1. At ordinary meetings the order of business will be to:

a) elect the chair (if the Lord Mayor and Deputy are absent)
b) receive apologies for absence from Councillors
c) approve minutes of the last meeting as a correct record
d) receive declarations of interest from Councillors
e) make appointments to committees and outside bodies (unless the outside body's function relates to an executive function)
f) reply to questions by the public (Not to exceed 10 minutes)
g) receive announcements from the Lord Mayor, Head of Paid Service, Responsible Finance

1 A clear working day is defined as a complete period of 24 hours (excluding weekends and Bank Holidays) not including the day of publication of the agenda or the day/s on which the meeting takes place.

Officer and Monitoring Officer
h) receive announcements from the Leader, Cabinet members, committee chairs (not to exceed 30 minutes in total)
i) receive presentations of and responses to Council Petitions (see Part G)
j) deal with any unfinished business from the last meeting
k) respond to recommendations from the Cabinet
l) respond to recommendations and reports from Overview and Scrutiny Committees/sub-committees
m) respond to recommendations from other Committees requiring Council approval
n) respond to reports from the Chief Executive, Responsible Finance Officer or Monitoring Officer
o) deal with motions on notice
p) deal with any other agenda items
q) deal with questions by Councillors to the Leader, Cabinet members and committee chairs about their areas of responsibility (Not to exceed 45 minutes in total).

9. Annual budget meeting

9.1. The Annual Budget meeting is usually called each year in February, in advance of statutory deadlines in relation to Council Tax, to consider approval of the Annual Budget for the following year. The only items to be included on the agenda are in relation to the budget which ensures that the full council is able to undertake its functions as described in Article Four.

9.2. At the Annual Budget meeting, the order of business will be-

a) elect the chair (if the Lord Mayor and Deputy are absent)
b) receive apologies for absence from Councillors
c) approve minutes of the last meeting as a correct record
d) receive declarations of interest from Councillors
e) receive urgent announcements from the Lord Mayor, Head of Paid Service, Responsible Finance Officer and Monitoring Officer
f) respond to budget recommendations from the Cabinet
g) respond to budget recommendations and reports from Overview and Scrutiny Committees/sub-committees

9.3. The Lord Mayor or the person presiding at the Council meeting may, with the agreement of the Council, vary the order in which business is considered at the meeting.

10. Extraordinary meetings of council

10.1. The following may call an Extraordinary Council Meeting (specifying the issues/terms to be covered at the meeting):

- the Council by resolution
- the Leader in consultation with the Leader of the majority opposition party
- any ten Councillors who have signed a requisition and presented it to the Monitoring Officer
- the Lord Mayor
- two Cabinet members in accordance with the Call in Procedures in Part C section
- the Chief Executive

10.2. Extraordinary meetings will only deal with the business they have been called for.

11. Changing the order of business

11.1. The Monitoring Officer, in consultation with the Lord Mayor, can ask the Council to agree to change the order of business, except for the first item at the annual meeting. Council must give its consent.

12. Chair of meeting

12.1. The person presiding at a meeting of the Council will exercise any power or duty of the Chair. If there is a gap in these procedures, the Lord Mayor, or the person presiding at the meeting, will decide what to do.

13. Quorum

13.1. The quorum is the minimum number of Councillors needed to conduct business at a meeting. For Council meetings this will be a quarter of the total number of Councillors.

13.2. If a quorum is not present at the start of a meeting, the meeting will be put back by 15 minutes. If there is still no quorum, the business will be deferred until a quorate meeting can be arranged. If a meeting becomes inquorate part of the way through, business will stop for five minutes. If there is still no quorum, the business will be deferred until a quorate meeting can be arranged.

14. Duration of meeting

14.1. The Council meeting will end at 7.30pm and the remaining business will be deferred to 6pm on the next day unless the Council decides otherwise.

15. Questions by the public

Asking questions at Council

15.1. The public can ask questions at ordinary meetings of the Council. These can be addressed to the Leader, other Cabinet members or Chairs of committees. Questions must be about something the Council is responsible for or something that directly affects people in the city. The public cannot ask questions at the Annual General Meeting or the Annual Budget Meeting.

Giving notice of questions

15.2. The wording of questions must be given to the Monitoring Officer at least five complete working days[2] before the meeting. Each question must include the name and address of the person or organisation asking it and the name or position of the Councillor being asked it.

Number of questions

15.3. Members of the public cannot ask more than one question per meeting. Supplementary questions are not allowed.

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2 2 A clear working day is defined as a complete period of 24 hours (excluding weekends and Bank Holidays) not including the day of publication of the agenda or the day/s on which the meeting takes place.

Asking the question

15.4. If the questioner is unable to be present they may nominate another person to ask their question. Such a nomination should be provided to the Monitoring Officer at least three days in advance of the meeting.

15.5. If the person asking the question is not present and has not nominated another person to ask their question then the question will not be heard.

15.6. All questions and responses will be included in the order of proceedings (handed out at the Council meeting) and published on the website after the meeting. The Monitoring Officer will have a reply sent to the questioner within 10 working days.

Length of questions

15.7. Questions will be no more than 50 words.

Total length of questions

15.8. Council will spend no longer than 10 minutes taking questions. If it cannot take all the questions, it will take them in the order that notice was given of them (except that those members of the public who have not already asked a question at previous Council meetings will be heard first) until there is no time left.

Written answers

15.9. Written questions and answers will be included in the minutes of the meeting. (If a question is not taken, the Monitoring Officer will have a reply sent, within 10 working days, to the member of the public who would have asked the question.)

Discussion

15.10. Councillors can only discuss the public questions or answers in Councillors' question time.

Suitability of questions

15.11. The Monitoring Officer can reject a question if:

- it is not about something that the Council is responsible for or which affects the area
- it is defamatory, frivolous, trivial or offensive
- it requires the Council to make public exempt or confidential information

15.12. The Monitoring Officer will endeavour to assist members of the public to frame questions to comply with these rules; however, the Monitoring Officer's decision is final. If a question is rejected, reasons must be given.

16. QUESTIONS BY COUNCILLORS

Questions without notice

16.1. A Councillor can ask a question without notice (under the appropriate agenda item) to the

Leader or Cabinet members, or committee chairs on any aspect of their area of responsibility.

Timing

16.2. Timing of questions will be one minute for a question, two minutes for a response and the same for supplementary questions. The overall time limit for all questions will be 45 minutes.

Response and supplementary questions

16.3. An answer may take the form of a direct oral answer; a reference to a publication where the desired information is located; or a written answer circulated later to Councillors, within 10 working days where the reply cannot conveniently be given orally. All written answers will be published at the end of each month.

16.4. One supplementary question can be asked without notice. This must be addressed to the same Councillor as the first question and must arise directly from the first question or the reply. No further supplementary questions are allowed.

Rejecting questions

16.5. The Monitoring Officer can reject a question if:

- it is not about something that the Council is responsible for or which affects the area
- it is defamatory, frivolous, trivial or offensive
- it requires the Council to make public exempt or confidential information (see Access to Information Rules)

16.6. The Lord Mayor's decision is final.

17. Presentation of minutes

17.1. Council Minutes will be published by Democratic Support as per their publishing protocols.

17.2. Items from Cabinet, Overview and Scrutiny Committees/sub-committees and other committees which require approval or confirmation from the Council will be placed on the Council's agenda.

18. Motions on notice

Giving notice of motions

18.1. Some motions may be moved without notice. For all other motions, the full wording must be received by the Monitoring Officer by 1pm on the seventh working day before the date of the meeting, with electronic confirmation from the Councillor moving the motion and the Councillor seconding the motion.

Withdrawing a motion or moving it at a later meeting

18.2. If, before a Council meeting, a Councillor proposing a motion wants to withdraw a motion or move it at a later meeting, they must write to (or email) the Monitoring Officer before

the meeting begins.

Absence of the Proposer

18.3. In the event that a proposer is not available to move the motion the seconder of the motion may move the motion and seek a seconder from the floor.

18.4. In the event that both the proposer and seconder are not available the Lord Mayor will invite the relevant political group to nominate another councillor to move the motion.

Listing motions on the agenda

18.5. Motions will appear on the agenda in the order they were given to the Monitoring Officer. The Lord Mayor or the person presiding at the Council meeting may, with the agreement of the Council, vary the order in which motions are considered at the meeting.

Topic of motions

18.6. Motions must be about things that the Council is responsible for or which affect the City (and are not found on the meeting agenda).

Rejecting motions

18.7. The Monitoring Officer, can reject a motion if:

- it is not about something for which the Council is responsible or which affects the City;
- it is potentially defamatory, frivolous, trivial or offensive
- it requires the Council to make public exempt or confidential information (see Part F Access to Information Rules)

18.8. The Monitoring Officer's decision is final.

Time Limit to Motions on Notice

18.9. There is a time limit to the motions on notice agenda item of two hours. When the time expires, following an opportunity to sum up by the mover of the motion, the Council will move to the vote. Should a motion not be discussed, the motion may re-submitted for a future meeting through the established process, motions will be heard in the order they are received.

Motions without notice

18.10. There is no need to give notice of motions to:

a. appoint a Chair of the meeting;
b. agree or correct the minutes;
c. change the order of business;
d. refer something somewhere else;
e. agree or amend recommendations of the Cabinet and Council Committees or officers;
f. to appoint members to a Committee or office created at the meeting;
g. amend or change a motion;

h. go to next business;
i. move to a vote;
j. continue the meeting beyond 7:30pm;
k. suspend a Council procedure;
l. hold a discussion in private (when allowed under the Access to Information Procedures;
m. Give Council's agreement when it is required by the Constitution.

19. Voting

Majority vote

19.1. Unless the constitution says otherwise, votes will be decided by a simple majority of Councillors in their seats and voting.

Lord Mayor's second or casting vote

19.2. If there is the same number of votes for and against, the Lord Mayor will have a second or casting vote.

Method of voting

19.3. Votes will be recorded through use of an electronic voting system, if the electronic voting system fails the Lord Mayor will ask for a show of hands.

Voting on appointments

19.4. If there are three or more candidates for a position and none has more than half of the votes, the candidate with the fewest votes will be eliminated and a new vote taken. This will continue until one candidate has more than half the votes.

Reports to note

19.5. Reports which contain only recommendations "to note" may not require a vote, unless a vote is called for by Councillors.

20. Minutes

Signing the minutes

20.1. At the first ordinary meeting when the minutes are available, the Lord Mayor will move that the minutes are correct and sign them. Council will not discuss anything arising from the minutes.

No minutes at Annual or Extraordinary meetings

20.2. Minutes are not signed at annual meetings or special meetings. They are signed at the next ordinary meeting instead.

21. RECORD OF ATTENDANCE

21.1. A record of attendance at Council meetings is noted on the minutes of the meeting. A

record of attendance for all meetings is kept and accessible on the Council's website.

21.2. Councillors will be expected to remain in the meeting for its duration (exceptions being short personal breaks or leaving pursuant to a declaration of interest).

22. Exclusion of public

22.1. Members of the public and press may only be excluded either in accordance with the Access to Information Rules of this Constitution (see Part F) or if they are disrupting the meeting.

23. Councillors' conduct

Standing to speak

23.1. When they speak at Council, Councillors must (unless they cannot) stand and address the Lord Mayor. If more than one Councillor stands, the Lord Mayor will ask one of them to speak and the others must sit down. While a Councillor is speaking, other Councillors must sit unless they are making a point of order or personal explanation or point of clarification.

Forms of Address

23.2. Councillors will refer to each other during the transaction of business by their respective titles of 'Lord Mayor', 'chair' or 'Councillor' as the case may be.

Chair standing

23.3. If the Lord Mayor stands during a debate, any Councillor who is speaking must stop speaking and sit down. The meeting must be silent.

Councillor not to be heard further

23.4. If a Councillor keeps on disrupting the meeting by behaving improperly, or offensively and deliberately obstructs business, the Lord Mayor may decide that the Councillor is not heard further

Councillor to leave the meeting

23.5. If the Councillor continues to disrupt the meeting, the Lord Mayor may decide that the Councillor leaves the meeting or that the meeting is adjourned.

General disturbance

23.6. If there is general disturbance making it impossible for Council to do its business, the Lord Mayor may adjourn the meeting for as long as necessary.

Removal of member of the public

23.7. If a member of the public is disrupting the meeting, the Lord Mayor may warn them. If they carry on disrupting the meeting, the Lord Mayor may have them removed and can halt the meeting until they leave.

Clearance of part of meeting room

23.8. If there is a general disturbance in a part of the meeting room open to the public, the Lord Mayor may call for that part of the room to be cleared.

24. Suspension of council procedure rules

24.1. All the Council Procedures in this section can be suspended except those referring to:

- Right to have individual vote recorded
- No minutes at annual or special meetings
- Councillors conduct and
- General disturbance

24.2. Council Rules of Procedure may be suspended by motion on notice or without notice if at least one half of the whole number of Councillors of the Council are present. Suspension can only be for the duration of the meeting.

25. Changes to these procedures

25.1. Any motion to change the procedures in this section must be proposed and seconded. After this, it will not be discussed until the next ordinary meeting of Council.

26. The Framework for Cabinet Decisions

26.1. Council sets the policy framework and budget.

26.2. The Leader, Cabinet. Committees and officers must act within it.

27. **Process for developing the budget and policy framework**

27.1. A timetable for any proposals affecting the policy framework and budget will be drafted, and will say what consultation there will be. At the end of the consultation, the Cabinet member will submit a report on the draft proposals to cabinet.

27.2. The relevant Cabinet member will draft the initial proposals with the advice of officers and will canvass the views of interested local stakeholders including the Overview and Scrutiny.

27.3. The Cabinet member will submit a report on the draft proposals to Cabinet.

27.4. Any reports to the Cabinet must say what consultation there has been and what the results were. The Cabinet will consider the response to the consultation and draw up firm proposals. The report to Council will reflect any comments made during the consultation and the Cabinet's response.

27.5. The Cabinet's proposals will go to Council as soon as possible.

27.6. The Council may:

- Adopt the report and the proposals contained in it;
- Amend the proposals and adopt them;

- Refer the proposals back to the Cabinet for further consideration; or
- Substitute its own proposals for those of the Cabinet.

27.7. If Council accepts the Cabinet's proposals without any changes, the decision will come into force immediately.

27.8. If Council changes the Cabinet's proposals, it will be an in principle decision only. The Leader will be given a copy of an in principle decision. The in principle decision will come into force unless the Leader objects in writing to the Monitoring Officer within five clear working days, giving reasons.

27.9. If the Leader objects to an in principle decision, Council will meet again within 15 further days of the receipt of the Leader's objection. At the meeting, Council can accept the cabinet's proposals or change them, in the light of the Leader's objection which will be circulated in writing to the Council.

27.10. The Council's decision will come into force immediately

27.11. The Council must agree and set the level of Council Tax by the statutory deadline.

27.12. The decision shall be made public in accordance with the Access to Information Procedure Rules, and shall be implemented immediately.

27.13. In approving the Budget and Policy Framework, the Council will also specify the extent of virement within the budget and degree of in-year changes to the policy framework which may be undertaken by the Cabinet, in accordance with virement and in-year adjustments. Any other changes to the Budget and Policy Framework are reserved to the Council

28. Decisions outside the budget or policy framework

28.1. The Cabinet, committees of Cabinet, individual members of Cabinet, committees and joint committees and any officers carrying out executive responsibilities can only take decisions if they are-

- in line with the policy framework and budget, or
- urgent decisions allowed under paragraph 4, or
- allowed under financial procedure rules, or necessary to obey the law or ministerial directions or government guidance.

28.2. Any other decisions which are not in accordance with the policy framework and budget must be recommended to Council.

28.3. The Cabinet and any officers carrying out executive responsibilities will seek the Monitoring Officer or Responsible Finance Officer's advice if it is unclear whether proposals are in line with the policy framework or budget

29. Urgent decisions outside the budget or policy framework

29.1. The Cabinet, committees of Cabinet, individual members of Cabinet, committees and joint committees or officers carrying out executive responsibilities can take a decision that is outside the policy framework or budget if:

- it is urgent;
- it is not practicable to arrange a Council meeting;
- the Chair of the relevant Overview and Scrutiny Committee and the Monitoring Officer (or designee) agrees that the decision is reasonable and that it is not in the interests of the Council or the public to delay it.

29.2. If the Chair of the relevant Overview and Scrutiny Committee is absent, the Lord Mayor can agree that the decision is urgent and, if both are absent, the Deputy Lord Mayor can give their agreement.

30. Recording Urgent decisions

30.1. The record of the decision must say:

- why it was not practicable to arrange a meeting of Council;
- that the Chair of the relevant Overview and Scrutiny Committee (or Lord Mayor or Deputy Lord Mayor) and the Monitoring Officer (or designee) agreed that the decision was urgent;
- why the decision was considered to be urgent.

31. In-year changes to the budget and policy framework

31.1. The responsibility for agreeing the Budget and Policy Framework lies with the Council, and decisions by the Cabinet, a committee of the Cabinet, an individual member of the Cabinet or officers, committees or joint arrangements discharging executive functions must conform to it.

31.2. No changes to any policy or strategy which make up the policy framework may be made by those bodies or individuals except those changes:

- Which will result in the closure or discontinuance of a service or part of service to meet a budgetary constraint;
- Which are necessary to ensure compliance with the law, ministerial direction or government guidance;
- Which are necessary because the existing policy document is silent on the matter under consideration;
- Which relate to policy affecting schools, where the majority of school governing bodies agree with the proposed change.

31.3. The Call in Procedures deal with Call in of decisions outside the policy framework or budget (see Part C).

Rules of Debate

The Rules of Debate are designed to facilitate debate during Council in an organised and orderly manner.

1. Respect for Lord Mayor

1.1. A Councillor, when speaking, must stand and address the Lord Mayor and direct their speech to the question under discussion.

1.2. When the Lord Mayor rises during a debate any member then standing must immediately stop speaking and sit down.

1.3. If two or more Councillors rise the Lord Mayor shall call on one to speak.

1.4. The Lord Mayor shall decide all questions of order and their ruling upon all such questions or upon matters arising in debate shall be final and shall not be open to discussion.

2. Motion or Amendment – Procedure

What is a Motion?

2.1. A motion is a proposal at a meeting that certain action is taken or certain views about a subject are expressed by the Council.

2.2. The purpose of a motion is to introduce new business. A motion should be in positive language (ie that the Council does something, not that the Council refrains from doing something) to avoid confusion when voting.

- Motions require a majority vote to be carried.
- A motion cannot be proposed when another motion is under consideration.
- Any motion requires a seconder, can be debated and can be amended.

What is an amendment?

2.3. The object of an amendment is to modify a motion in such a way as to increase its acceptability to the Council.

2.4. An amendment shall not be discussed unless it has been proposed and seconded by Councillors. Councillors wishing to move an amendment give notice immediately when called upon by the Lord Mayor. There is an expectation that written copies of the amendment, detailing the proposed changes are provided Democratic Support, at least one clear day ahead of the meeting.

2.5. Amendments moved without prior notice may require an adjournment of the meeting for the person presiding and Monitoring Officer to review the

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content of the amendment and if in order to make appropriate arrangements for circulation to Councillors prior to any debate.

Content of Amendment

2.6. An amendment must relate to the motion and either:

- Leave out words;
- Leave out words and insert or add others; or
- Insert or add words.

2.7. Any such amendment must not have the effect of negating the original motion.

Debate on amendments

2.8. If an amendment is carried, the amended motion replaces the original motion. Any further amendments will be to the amended motion.

2.9. If an amendment is not carried, any further amendments will be made to the original motion.

3. Closure Motions

3.1. A closure motion is intended to draw to a close the debate currently on the floor of the Chamber. Such motions may be moved without notice.

3.2. A councillor who has not already spoken in the debate may at the conclusion of a speech of another councillor move without comment: -

- that the Council move to the vote on the current debate (after the vote on the closure motion, but before the meeting moves to the vote on the motion or amendment the proposer will be given the opportunity to sum up.)
- that the Council refer the motion to a committee. (If carried the outcome of this motion is that the motion stands referred, the mover of the motion will not have the right of reply before this vote and there are no further votes on the motion.)

4. When a Councillor may speak again on a Motion

4.1. Councillor who has already spoken in a debate cannot speak again except to:

- exercise their right of reply
- make a point of order
- make a point of intervention
- speak on an amendment
- move a further amendment.

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5. Length of Speech

5.1. No speech shall exceed five minutes, unless agreed by Council.

6. Right of reply

6.1. A Councillor who moves a motion has a right of reply (and may take up to five minutes) at the end of the debate immediately before the vote, unless the motion has been referred elsewhere.

6.2. If an amendment is moved, the Councillor who moved the amendment has the right to reply at the end of the debate but may not otherwise speak on the amendment.

7. Points of order

7.1. A Councillor can make a point of order at any time and the Lord Mayor will hear a point of order immediately.

7.2. A point of order must be about the law or Council procedures or rules being broken. The Councillor must say which law or procedures or rules are being broken and how.

7.3. The Lord Mayor will consider the Monitoring Officer's advice when deciding on a point of order and the Lord Mayor's decision will be final.

7.4. Any member making a point of order may not speak on the matter under discussion during the point of order.

8. Points of intervention

8.1. A member may ask a brief question in relation to the speaker's statement if the speaker agrees. No other members shall be allowed to speak. The question, if accepted, is not part of the speaker's time. The answer is part of the speaker's time. No supplementary questions are allowed.

9. Motions that can be moved during debate

9.1. When a motion is being debated, no other motions can be moved except for the following procedural motions:

- that the Council move to the vote on the current debate (if the Council is debating an amendment the Council will move to the vote on the amendment);
- that the Council refer the motion to another committee
- to hold a meeting in private (when allowed by the Access to Information Procedures – see Part F section)

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- to suspend standing orders, with the exception of articles of the constitution.
- to limit or extend the debate (ie that the meeting continues beyond 7:30pm)

10. **Motion to overturn a previous decision**

10.1. A motion or amendment to overturn a decision made by a meeting of the Council within the past six months cannot be moved unless the motion on notice is signed by at least ten members.

11. **Motion similar to one previously rejected**

11.1. A motion or amendment similar to one that has been rejected by a meeting of the Council in the past six months cannot be moved unless the motion on notice or amendment is signed by at least ten members. Once the motion or amendment is dealt with, no one can propose a similar motion or amendment for six months.

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Audit and Governance Committee

Date of meeting:	23 July 2024
Title of Report:	**Contract Standing Orders Refresh**
Lead Member:	Councillor Chris Penberthy (Cabinet Member for Housing, Cooperative Development, and Communities)
Lead Strategic Director:	Giles Perritt (Assistant Chief Executive)
Author:	Holly Golden
Contact Email:	holly.golden@plymouth.gov.uk
Your Reference:	HG/PS/735/CP/0724
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report
To seek approval of the proposed refresh to the Council's Contract Standing Orders (CSOs). summarised as follows:

- Introduction of new procedures to address gaps in current formal governance,
- Alignment of authorisation thresholds with the Council's Scheme of Delegation to ensure compliance with the Constitution and ease of reference,
- Inclusion of existing relevant procedures not previously contained within the document to bring clarity and drive compliance,
- Increase of the one quotation minimum threshold from £5,000 to £15,000 to account for the significant change in the financial landscape since 2020,
- Introduction of a two-quotation minimum process for contracts valued between £15,000 to £50,000 to simplify the process for low value procurement activity, facilitate the empowerment of officers and recognise a broader definition of best value,
- Inclusion of references to wider relevant Council plans and policies in recognition of their importance in Council procurement activity,
- Addition of explicit references and flexibilities related to external funding in recognition of the additional layer of complexity,
- Simplification of officer level internal governance paperwork to streamline processes whilst maintaining transparency and accountability,
- Updated legislative references to ensure the document is up to date,
- Reformatting and rewording for ease of reference and understanding,
- Inclusion and enhancement of sections in anticipation of the coming into force of the Procurement Act 2023,
- Explicit reference to self-service procurement process and thresholds removed to enable flexible application and better control.

These proposed changes are the result of a comprehensive review process, including:

- Feedback received from Officers as part of the Council's annual staff survey,

- Feedback received by Procurement and Legal Services from individual officers and suppliers during the delivery of business-as-usual activity,
- Feedback received from the Council's local partners,
- Formal governance stakeholder group consultation,
- Formal Corporate Management Team consultation.

As such the proposals with this report are deemed fit for purpose for the future needs of the Council.

Recommendations and Reasons

1. To approve the proposed refreshed version of CSOs
   Reason: To make the Council's Procurement rules more effective and efficient whilst maintaining the necessary probity and accountability in the how the Council spends public money.

2. To delegate authority to the Monitoring Officer to approve new Procedural Notes and approve amendments to existing Procedural Notes when necessary and appropriate.
   Reason: To ensure that the procedures which support the delivery of CSOs remain up to date with latest good practice and can be updated in a flexible and agile manner when the situation calls for it

3. To delegate authority to the Monitoring Officer to approve updates to the CSOs required as a consequence of the new Procurement Act 2023 which is due to go live on the 28 October 2024.
   Reason: The proposed refreshed version of CSOs takes account of the new Procurement Act 2023 as far as possible but will require further amendment to incorporate the statutory procurement and contracting obligations placed on the Council.

Alternative options considered and rejected

The option to 'do nothing' and make no changes to the Council's CSOs is rejected on the grounds that this refresh is a direct response to the procurement-related concerns identified through the financial year 2023/2024 which cannot be ignored.

The proposed new version of CSOs is a refresh of the full rewrite produced in 2020. This refresh looks to build on the positive impact of the 2020 version by enhancing the document- making it more comprehensive whilst at the same time more user-friendly and using the extensive feedback received to make minor amendments which will have a significant impact.

The ever-changing landscape both economically and socially also requires the council more than ever to be proactive and able to respond efficiently and flexibly and the proposed refresh will allow the council to do that.

In the event that the proposals are rejected then clear direction should be provided to enable necessary adjustments to be carried out.

Relevance to the Corporate Plan and/or the Plymouth Plan

The CSOs set the procurement governance framework for the organisation within which the Council's priorities as set out in the Plymouth Plan and Corporate Plan must be delivered. The refreshed version explicitly recognises the importance of these plans and places expectations on Officers to consider them as part of their procurement activity.

Implications for the Medium Term Financial Plan and Resource Implications:
CSOs provide a robust governance framework to ensure the Council secures value for money when undertaking procurement activity.

Financial implications must be considered at all stages of the procurement cycle from analysing the need through to managing the contract.

The importance of compliance is also highlighted which seeks to mitigate financial risks related to non-compliant procurement activity such as fines and damages.

Financial Risks

None as a result of this report.

Carbon Footprint (Environmental) Implications:

None as a result of this report but it is noted that the proposed refreshed version of CSOs places explicit expectations on officers to consider the Climate Emergency when undertaking procurement activity as one of the policy requirements now embedded into CSOs.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:
** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*
The proposed refreshed version of CSOs places explicit expectations on officers to consider a range of topics when undertaking procurement activity including but limited to: 'Health and Safety, Equality and Diversity, Modern Slavery and the SME agenda.

The core implications and risks associated directly with this report are that the proposed changes either are not adhered to or not followed as intended. The implications of not adopting the proposed changes are:

- Higher risk of non-compliant activity with the Public Contract Regulations 2015,
- Higher risk of non-compliant activity with Council procurement rules,
- Higher risk of non-compliant activity with Council policies,
- Restricting the ability of the Council to secure best value for money,
- Restricting future efficient and effective means to contracting with third party suppliers,
- Not taking the opportunity to streamline current processes and procedures to make them more proportional around activities required to risks presented,

Appendices
**Add rows as required to box below*

Ref.	**Title of Appendix**	**Exemption Paragraph Number** (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
		1	**2**	**3**	**4**	**5**	**6**	**7**
A	Contract Standing Orders Refresh							
B								
C								

Background papers:

**Add rows as required to box below*

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

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

Sign off:

Fin	DJN. 24.25. 042	Leg	LS/00 0010 75/2/ AC/1 2/7/2 4	Mon Off	N/A	HR	N/A	Asset s	N/A	Strat Proc	HG/PS/73 5/CP/0724
Originating Senior Leadership Team member: Liz Bryant											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 12/07/2024											
Cabinet Member approval: Approved verbally by Councillor Chris Penberthy Date approved: 12/07/2024											

PLYMOUTH CITY COUNCIL

Contract Standing Orders

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0. Introduction

0.1. Purpose of the document

0.1.1. The purpose of these Contract Standing Orders (CSOs) are to set out the governance framework for how the Council procures from third party suppliers for the provision of Supplies, Services and Works.

0.1.2. The CSOs set out the minimum requirements to be adhered to when the Council undertakes procurement activity and are to be read in conjunction with the accompanying Procedural Notes - see Appendix A.

0.1.3. The Procedural Notes explain how the minimum requirements are to be fulfilled and must be complied with as an extension to the CSOs, hereafter known collectively as 'CSOs.'

0.1.4. The CSOs are to be applied to ensure:

- **0.1.4.1.** Compliance with all relevant statutory provisions including the Public Contracts Regulations 2015 the Concession Contracts Regulations 2016 and The Health Care Services (Provider Selection Regime) Regulations 2023 as amended from time to time (the Regulations),
- **0.1.4.2.** Compliance with the Council's Constitution,
- **0.1.4.3.** Consideration is given to central government policy and guidance as part of procurement activity including Procurement Policy Notes,
- **0.1.4.4.** The principles of transparency, equal treatment, proportionality, non-discrimination, and mutual recognition are adhered to,
- **0.1.4.5.** The commercial interests of the Council are duly safeguarded along with the interests of elected members and officers,
- **0.1.4.6.** Probity and the sound reputation of the Council is maintained in respect of procurement and commercial arrangements,
- **0.1.4.7.** Robust commercial governance is in place with related risks duly understood, effectively managed, and mitigated,
- **0.1.4.8.** Fulfilment of Best Value Duty and maximising 'value for money' defined as the optimum balance of price, quality, and social value,
- **0.1.4.9.** The benefits of Council spending for the local economy, society, and environment (Social Value) is maximised,
- **0.1.4.10.** Procurements are undertaken in a sustainable and ethical manner,
- **0.1.4.11.** Minimising and wherever possible avoidance of fraud and / or malpractice in commercial matters,
- **0.1.4.12.** Efficient and proportionate use of Council time and resources.

0.2. When the CSOs apply

0.2.1. The CSOs apply where the Council expects to:

0.2.1.1. Spend money,

0.2.1.2. Offer other value, benefit, or opportunity to an external supplier.

0.2.2. CSO applies to:

0.2.2.1. Supplies, Services and Works,

0.2.2.2. New requirements,

0.2.2.3. The re-procurement of existing contracts,

0.2.2.4. The variation of existing contracts,

0.2.2.5. Capital and revenue expenditure,

0.2.2.6. The spending of grant funding,

0.2.2.7. The selection of grant funding delivery partners not stipulated by the funding body where a contractual relationship is being established which is not itself a grant agreement.

0.2.3. Where CSOs apply, the following procurement cycle must be followed:

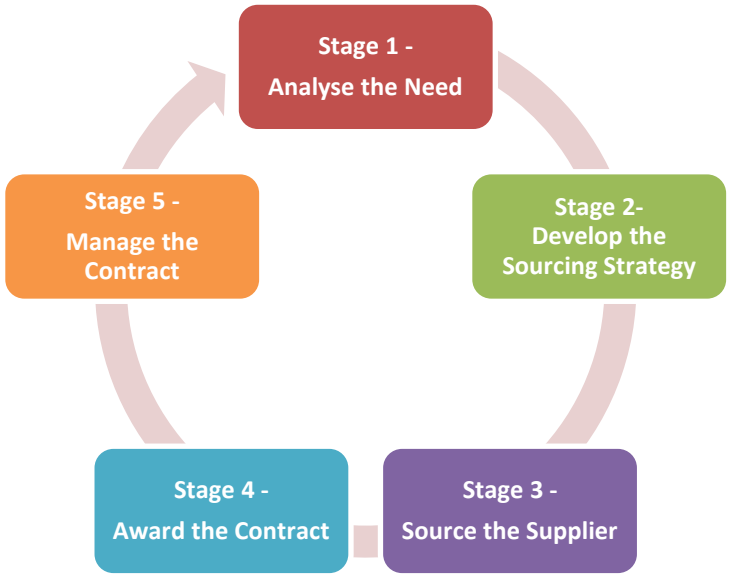


Figure. 1

0.3. When the CSOs do not apply

0.3.1. The following arrangements are exempt from CSOs:

- **0.3.1.1.** Appointment outside the Council's control, e.g. Appointment of external auditors; a supplier that a funding body requires the Council to use in the delivery of a project,
- **0.3.1.2.** Employment contracts,
- **0.3.1.3.** Specific licensing requirements e.g. TV License or Public Entertainment License,
- **0.3.1.4.** Planning and Highway Agreements, e.g. Section 106, 278 and 38,
- **0.3.1.5.** Allocation of Grant payments by the Council to third parties,
- **0.3.1.6.** Acquisitions and disposals of land or buildings,
- **0.3.1.7.** Individual budgets for personal care services,
- **0.3.1.8.** Financial dealings by the Chief Finance Officer in respect of dealing in money markets or obtaining finance for the Council,
- **0.3.1.9.** Contracts offered by the Head of Legal Services for the appointment of Counsel,
- **0.3.1.10.** Contracts where a sole supplier has exclusive rights e.g. alterations to statutory undertakers' apparatus,
- **0.3.1.11.** Disposal of surplus Goods / Supplies,
- **0.3.1.12.** Loan payments or loans from the Council to third parties provided on market terms (otherwise subsidy control considerations may apply),
- **0.3.1.13.** Where it is clear no need to go through a procurement process on the basis of other regulatory or legislative grounds e.g. The Service Subsidy Agreements (Tendering) (England) (Amendment) Regulations 2004 (S.I. 2004 No.609),
- **0.3.1.14.** Subscriptions to National Organisations e.g. Local Government Association,
- **0.3.1.15.** Contributions and/or subscriptions to Partnerships to which the Council is a member,
- **0.3.1.16.** Professional subscriptions where not having membership would detrimentally impact on the Council's ability to fulfil its purpose,
- **0.3.1.17.** Procurement of certain insurances not available on open market e.g. Marine.

0.3.2. Arrangements that are exempt from CSOs must still adhere to other relevant rules and regulations including Council governance procedures and the need to ensure robust contracting.

0.3.3. Where an arrangement is considered 'Sole Source' the *Procedural Note: Sole Source Arrangement* must be adhered to.

0.4. When CSOs can be Waived

0.4.1. It should be the default position to follow the CSOs in all situations, but it is recognised that on occasions it may not be possible or in the best interest of the Council to do so.

0.4.2. Where the CSOs cannot be followed a Waiver must be applied for in accordance with the *Procedural Note: CSOs Waiver.*

0.4.3. Only waivers which relate to Council Procurement rules can be authorised, national laws and regulations must be complied with at all times.

0.4.4. A waiver will only be considered in the event of the following situations:

- **0.4.4.1.** A **Breach or Conflict of Statutory Duties** would arise if CSOs were applied, and / or,
- **0.4.4.2.** In the case of **legal hearings, planning appeals and public examinations etc**, where there is a need for a supplier who previously provided advice to the Council to provide evidence and support to the Council at the hearing, appeal, or public examination in relation to that advice, and/or,
- **0.4.4.3.** **Unavoidable / Time Critical** considerations that would result in negative **Reputational Implications** or lost opportunity for grant funding to the Council if the action outlined within the waiver request is not followed and / or,
- **0.4.4.4.** Detriment to **Personal Welfare of Service Users**, where there is a likelihood that vulnerable service user(s) would be placed in unnecessary or inappropriate risks if the proposed actions within the waiver request are not undertaken and/or,
- **0.4.4.5.** Evidence of **Limited Market** that negates wider public interest.

0.4.5. A waiver must be authorised in accordance with the table below:

Table 1:

Consideration	**Total Estimated Contract Value**				
	Up to £15,000	**Over £15,000 up to £50,000**	**Over £50,000 up to £200,000***	**Over £200,000 up to £500,000***	**Over £500,000***
Authorisation Level	Head of Service	Head of Service	Service Director/ Strategic Director	Monitoring Officer and Section 151 Officer	Cabinet
Documentation	No formal requirement	CSO Waiver Authorisation Form	CSO Waiver Authorisation Form	CSO Waiver Authorisation Form	• CSO Waiver Authorisation Form • Cabinet Paper**

					• EIA
Publication of Decision	No	No	No	No	Yes
Decision subject to call in	No	No	No	No	Yes

*Subject to compliance with relevant GPA threshold

** Where information is confidential Part I and Part II papers should be used

0.5. Emergencies

0.5.1. In the event of an 'Emergency' the Chief Executive and Monitoring Officer can authorise the progressing of work as required.

0.5.2. Officers in consultation with the Monitoring Officer can authorise the progressing of work as required in accordance with the table below:

Table 2:

Consideration	**Total Estimated Contract Value**			
	Up to £15,000	**Over £15,000 up to £500,000**	**Over £500,000 up to £3,000,000**	**Over £3,000,000 *or* Key Decision**
Authorisation Level	Strategic Director/ Service Director	Strategic Director/ Service Director	Strategic Director/ Service Director	Strategic Director/ Service Director
Stage 1- Taking of Decision				
Documentation	No formal requirement	CSO Emergency Decision Form	CSO Emergency Decision Form	CSO Emergency Decision Form

Publication of Decision	No	No	No	No
Decision subject to call in	No	No	No	No
Stage 2- Scrutiny of Decision				
Documentation	N/A	N/A	• CSO Emergency Decision Form • Executive Decision * • EIA	• CSO Emergency Decision Form • Cabinet Paper* • EIA
Publication of Decision	N/A	N/A	Yes	Yes
Decision subject to call in	N/A	N/A	Yes	Yes

* Where information is confidential Part I and Part II papers should be used.

0.5.3. The work authorised under these emergency provisions should be limited to those supplies, services, or works strictly necessary to mitigate immediate risks. Any further work required must follow the standard procedures of CSO.

0.6. Breaches and Non-Compliance

0.6.1. The consequences of not applying due process in how contracts and commercial arrangements are established can be significant. **Compliance with the CSOs is mandatory.**

0.6.2. Those with responsibility for fulfilling their duties in line with the CSOs are required to maintain ongoing knowledge and awareness to ensure compliance.

0.6.3. It is the responsibility of Responsible Officers (including those with line management responsibilities) to address non-compliance swiftly and in the most appropriate way according to the nature of the non-compliance.

0.6.4. In the event of a suspected breach reference should be made to *Procedural Note: Breach of Contract Standing Orders.*

0.6.5. Means of reporting concerns can also be raised anonymously in line with the Council's Whistleblowing Policy. http://documentlibrary/documents/Policy%20-%20whistleblowing.pdf

0.6.6. Any potential misuse or non-compliance of the CSOs will be formally logged and must be acknowledged by the appropriate officer in accordance with the table below:

Table 3:

Consideration	All Total Estimated Contract Values
Acknowledgement Level	Head of Service
Documentation	CSO Declaration of Non-Compliance
Publication of Acknowledgement	No
Acknowledgement subject to call in	No

0.6.7. Instances of non-compliance will be reported to senior management on a regular basis, with a six-monthly report sent to the Corporate Management Team

0.6.8. Non-compliance with the CSOs may result in the Council's Disciplinary Policy and Procedure being applied. In respect of wilful, negligent, repeated, or other serious breaches this could result in significant sanctions and even dismissal. http://documentlibrary.plymcc.local/documents/Policy_and_procedure_disciplinary.docx.pdf

1. Stage 1- Analyse the Need

1.1. Stage Introduction

1.1.1. Before any procurement activity is undertaken an analysis of the business need must be completed. This analysis must be undertaken on a requirement-by-requirement basis and applies to both new requirements as well as existing contracts requiring re-procurement. This analysis must consider the following:

1.2. Engagement with Subject Matter Experts

1.2.1. Relevant subject matter experts within the Council including but not limited to, Procurement, Health and Safety, Finance, Legal Services, and Democratic Support must be engaged at the earliest opportunity to support the definition of the business need and to provide advice and guidance on any risks and mitigations relevant to their area of expertise where it is appropriate to do-so. The Responsible Officer shall be responsible for carrying out appropriate due diligence on their requirement and to take any subject matter expert recommendations into consideration when making decisions.

1.2.2. Where appropriate subject matter experts should continue to be consulted at appropriate times throughout the procurement process and during the delivery of the contract.

1.2.3. Any gaps in the Council's internal expertise must be noted in the business need analysis and plans for the appropriate mitigation of any associated risks put in place.

1.3. Early Market Engagement

1.3.1. Where appropriate the gathering of market intelligence through early market engagement is permitted and encouraged with the intention to inform the definition of the business need and subsequent sourcing strategy

1.3.2. All early market engagement must comply with the principles of transparency, equal treatment, proportionality, non-discrimination and mutual recognition and care must be taken to ensure that it is undertaken in accordance with the Regulations where applicable.

1.4. Alternative Delivery Options

1.4.1. Alternative options to the procurement of supplies, services or works should be considered as part of the business needs analysis including challenging the need itself. **If a clear business case cannot be made for a given requirement it should not be procured.**

1.4.2. The costs and benefits of any alternative options considered should be documented including any impact on the local economy, community, and environment.

1.5. Calculation of Estimated Total Contract Value

1.5.1. When estimating the total contract value, the estimate shall be:

- **1.5.1.1.** For the whole duration of any anticipated contract including any form of option or renewal of the contract explicitly set out in the procurement documents,
- **1.5.1.2.** For the timeframe duration of 1.5.1.1, cover the whole life cost of the business need, from the initial definition through to the end of useful life including any maintenance, servicing, consumables, licences, decommission and disposal,
- **1.5.1.3.** Net of Value Added Tax (VAT),
- **1.5.1.4.** The value of any non-monetary consideration, benefit, or opportunity the Council is giving,
- **1.5.1.5.** The value of anything the Council is getting for free as part of the contract.

1.5.2. In the case of Concession contracts, the total anticipated turnover a supplier could make on the contract exclusive of VAT.

1.5.3. In the case of Framework Agreements and Dynamic Purchasing Systems, the maximum estimated value, exclusive of VAT, of all the contracts envisaged for the total term of the framework agreement or the dynamic purchasing system.

1.5.4. In the case of Public Works contracts, the cost of the works and the total estimated value of the supplies and services that are made available to the contractor by the contracting authority provided that they are necessary for executing the works.

1.5.5. In the case of Public Supply or Service contracts which are regular in nature, or which are intended to be renewed within a given period, the total actual value of the contract of the same type during the preceding 12 months or financial year adjusted, where possible, to take account of the changes in quantity or value which would occur in the course of the 12 months following the initial contract.

1.5.6. The estimate shall be calculated at the moment a call for competition is submitted or the procurement procedure commences.

1.5.7. If an estimated total contract value cannot be calculated it is deemed to be equal to the relevant threshold amount as set out in the Regulations.

1.5.8. The choice of the method used to calculate the estimated value of a contract shall not be made with the intention of circumventing the thresholds as set out in the Regulations and CSOs.

1.5.9. A contract shall not be undervalued or subdivided with the intention of circumventing the thresholds as set out in the Regulations and CSOs.

1.6. Funding Sources

1.6.1. A source or sources of funding must be identified which will sufficiently cover the estimated total contract value.

1.6.2. Where the use of external funding is being considered care must be taken to ensure any funding conditions are satisfied and complied with. This may require consultation with subject matter experts before funding is applied for.

1.6.3. Where the use of capital funding is being considered, the Responsible Officer must ensure that the requirement has been formally registered onto the Capital Programme before the procurement commences.

1.6.4. The identified funds should be secured and available for commitment prior to any procurement activity being undertaken. The only exception to this is where a procurement activity is required as part of a grant funding bid. For example, to secure a delivery partner or to demonstrate to a funding body that a preferred supplier is ready to be engaged.

1.6.5. Where secured and available funding falls short of the estimated total contract value, a funding strategy must be developed and submitted for approval as part of the authority to procure decision.

1.7. Conflicts of Interest

1.7.1. Consideration must be given as to whether any conflict of interest exists or could potentially exist, directly or indirectly, between any individual involved in the procurement activity and any supplier(s) who may be interested in the opportunity or any person(s) that might be affected by the outcome of the procurement.

1.7.2. Consideration must be given on a requirement-by-requirement basis and should also include whether any perceived conflict could exist.

1.7.3. Any actual or perceived conflicts identified should be captured and a management plan developed to a level of detail and in a format appropriate to the extent of the risk, taking into consideration:

- **1.7.3.1.** The nature of the requirement,
- **1.7.3.2.** The nature of the supply market,
- **1.7.3.3.** Estimated contract value,
- **1.7.3.4.** Route to market,
- **1.7.3.5.** The nature of the conflict,

1.8. Authority To Procure

1.8.1. Where the outcome of the business need analysis determines that a procurement activity is required, approval to procure must be obtained.

1.8.2. The table below sets out the Council's minimum requirements when approving a decision to procure.

1.8.3. The requirements are based on total estimated contract value (Ex. VAT) however officers should also consider the specifics of their requirement and consider whether a higher level of approval is more appropriate.

1.8.4. No procurement can commence without the appropriate 'Authority to Procure' authorisation.

Revenue Spend- ***Table 4:***

Consideration	Total Estimated Contract Value				
	Up to £50,000	**Over £50,000 up to £200,000**	**Over £200,000 up to £500,000**	**Over £500,000 up to £3,000,000 ***	**Over £3,000,000 *or* Key Decision***
Authorisation level	Responsible Officer	Head of Service	Service Director/ Strategic Director	Portfolio Holder*	Cabinet* *or* The Leader*
Documentation	No formal requirement	Business Case	Business Case	• Business Case** • Executive Decision • EIA	Cabinet: • Business Case • Cabinet Paper ** • EIA • Climate Impact Assessment*** The Leader: • Business Case • Executive Decision** • EIA • Climate Impact Assessment***
Publication of Decision	No	No	No	Yes	Yes
Subject to call in	No	No	No	Yes	Yes
Published on the Forward Plan	No	No	No	Yes, if decision: • Is 'Key,' • Will be discussed at a public meeting where information is withheld within a Part II paper, • Will require the delegation of powers to implement, An entry must appear on the forward plan 28 days before the decision is made.	

*Cabinet and Cabinet Members can delegate their authority to award and vary contracts to officers as part of a business case
** Where information is confidential Part I and Part II papers should be used
*** Where Key Decision

Capital Spend- *Table 5:*

1.8.5. No procurement can commence without the appropriate 'Authority to Procure' authorisation which, for capital projects forms part of the registration of the requirement on the Capital Programme.

1.8.6. Where a capital project will require multiple individual procurement activities only authorisation of a single overarching business case is necessary in accordance with the Council' Capital Programme governance requirements as below:

Consideration	**Total Estimated Project Value**	
	Up to £200,000	**Over £200,000**
Authorisation level	Section 151 Officer	Cabinet* *or* The Leader*
Documentation	To be confirmed by Finance	<u>Cabinet</u>: • Capital Investment Business Case • Cabinet Paper** • EIA • Climate Impact Assessment _____ <u>The Leader:</u> • Capital Investment Business Case • Executive Decision** • EIA

		• Climate Impact Assessment
Publication of Decision	No	Yes
Subject to call in	No	Yes
Published on the Forward Plan	No	Yes An entry must appear on the forward plan 28 days before the decision is made.

*Cabinet and Cabinet Members can delegate their authority to award and vary contracts to officers as part of a business case

** Where information is confidential Part I and Part II papers should be used

2. Stage 2: Develop the Sourcing Strategy

2.1. Stage Introduction

2.1.1 The procurement route to market may be determined as part of Stage *1- Analyse the Need* where the requirement has been sufficiently defined but is not a condition of Stage 1 approval and can be developed as part of *Stage 2- Develop the Sourcing Strategy*.

2.1.2 At whichever stage, the procurement route to market is determined it must be developed on a requirement-by-requirement basis and consider the following:

2.2. Grant / Funding Conditions

2.2.1. Consideration must be given to any procurement or contract conditions set as part of any grant or other external funding agreements. Care shall be taken to ensure the funding conditions are satisfied and complied with to avoid risk to the loss of the funding being made in full or in part to the Council.

2.2.2. Funders should be consulted where there is uncertainty as to whether a sourcing strategy will satisfy the conditions including a direct award.

2.3. Route to Market Hierarchy

2.3.1. The following routes to market are listed in order of general Council preference but Officers must always consider which route offers best value for money:

2.3.1.1. **Use of in-house provision**- where the capability and capacity of an internal department satisfies the requirement,

2.3.1.2. **Use of an existing Council contract/ commercial arrangement**- where a contract already covers the requirement or can be reasonably varied to include it in accordance with the Council's contract variation process,

Information on current Council contracts can be found on the Council's published contract register here: www.supplyingthesouthwest.org.uk

2.3.1.3. Officers must take notice of Council contracts which grant suppliers exclusivity and assess the risk of non-compliance where another route to market is preferred,

2.3.1.4. Use of Council Teckal company arrangements- The Council has a number of teckal companies which it has established to fulfil its various functions, and these should be used where a company already offers the requirement or could reasonably do-so within the remit of its existing responsibility. This step may also include discussions relating to the appropriateness of establishing of a new company.

2.3.1.5. Run a new procurement activity- via an independent procurement process, framework or DPS, whichever represents best value for money.

2.3.1.5.1. It is the Council's default position that the running of a competitive multi-supplier process will deliver best value for money and should be pursued wherever possible. Robust justification must be documented where a direct award sourcing strategy is pursued.

2.3.1.5.2. When running a new procurement activity, the decision on which route to follow should be based on which offers best value for money. Factors to be considered in this decision-making, include but are not limited to:

- Compliance with Procurement Regulations and CSO,
- The subject matter of the requirement,
- The scope of the requirement,
- The frequency of the requirement,
- The contract period/delivery timescales,
- The estimated total contract value,
- The contract budget,
- The minimum quality level,
- The Council's buy local and SME agendas,
- The Council's Social Value Policy,
- Wider Council strategic objectives,
- Process complexity and flexibility,
- The level of market interest,
- Opportunities for savings,
- Contracting options,
- Resource demands (whole life),
- Other route specific costs and benefits,

2.4. Independent Procurement Process

2.4.1. Sourcing Requirements

2.4.1.1. The table below sets out the Council's standard minimum sourcing requirements when undertaking an independent procurement process. This table should be read in conjunction with *Procedural Note: Buy Local.*

2.4.1.2. The requirements are based on total estimated contract value (Ex. VAT) however Officers must also consider the specifics of their requirement and consider exceeding these minimums where it is relevant and proportionate to do-so.

Table 6:

Consideration	**Total Estimated Contract Value**			
	Up to £15,000	**Over £15,000 up to £50,000**	**Over £50,000 up to relevant GPA threshold***	**Over relevant GPA threshold**
Level of Competition	Source **one** written Quotation	Seek **two** written quotations	Seek **three** written quotations/ tenders	Undertake Regulatory procedure
Buy Local Agenda	from PL Postcode where possible	At least one from PL Postcode where possible	Two from PL Postcode where possible	Engage PL Postcode suppliers where possible
SME Agenda	Engagement with SMEs should be maximised where possible			
Social Value	Discretionary but to be included where possible	Discretionary but to be included where possible	Discretionary but to be included where possible	Mandatory where relevant
Advertisement	Optional	Optional	Optional	In accordance with Regulation procedure

*Where the initial contract value estimate is within 10% of the relevant GPA Threshold, a procedure in accordance with the Regulations should be undertaken.

2.5.1.3 Running an independent procurement process can only be undertaken by officers who have been explicitly authorised to do-so. See *Procedural Note- Procurement Self-Service*.

2.5.1.4 Confirmation as to whether the Regulations will apply to a procurement activity and if so, the relevant threshold and applicable sections must be given by Procurement on a requirement-by-requirement basis.

2.5.1.5 Copies of the Regulations and Current GPA Thresholds can be found here: Legislation.gov.uk

2.5.1.6 The GPA Thresholds are inclusive of VAT therefore to maintain consistency with internal governance processes and assure compliance with Regulatory procedures, the highest government VAT rate is assumed for all types of requirement for the purposes of decision-making. E.g. 20%. However, where it would be in the best interests of the Council to determine the exact VAT rate for a given requirement and procure on that basis, the Council will.

2.5. Frameworks/ DPS

2.5.1. Due diligence must be undertaken on any framework or DPS on a requirement-by-requirement basis to ensure it is suitable and can be used in a manner which complies with the Regulations and the Council's CSOs. This review must be undertaken by Procurement and sign off, of the framework or DPS given prior to use.

2.5.2. Running a further competition is the preferred route to market when using a framework on the basis it will maximise the opportunity to secure best value. Robust justification must be documented where a direct award under a framework is made.

2.5.3. Procurement activity under a framework or DPS can only be undertaken by officers who have been explicitly authorised to do-so.

2.5.4. Due regard must still be given to the Council's standard minimum sourcing requirements as set out in *table 6* and complied with where possible.

2.5.5. Standard internal governance procedures apply when using any framework or DPS except for legal services frameworks explicitly exempted by the Monitoring Officer.

2.6. Pre-Procurement Market Engagement

2.6.1. In addition to any early market engagement undertaken at *Stage 1- Analyse the Need*, Officers should consider whether there is a benefit to undertaking pre-procurement market engagement. Such engagement is permitted and encouraged where it is relevant and proportional to do so and can take a number of forms depending on the intended purpose and desired outcomes, such as:

2.6.1.1. Notifying the market about a future opportunity i.e. Prior Information Notice,
2.6.1.2. Seeking market interest for an upcoming opportunity i.e. Expression of Interest activity or call for competition,
2.6.1.3. Seeking feedback on an indicative specification or sourcing strategy i.e. soft market test,
2.6.1.4. Warming up potential suppliers i.e. Bidder's Day or similar engagement session,

2.6.2. Any pre-procurement market engagement must comply with the principles of transparency, equal treatment, proportionality, non-discrimination and mutual recognition and care must be taken to ensure that it is undertaken in accordance with the Regulations where applicable.

2.7. Sourcing Documentation

2.7.1. Council policies and corporate strategies and standards relevant to the subject matter of the requirement should be consulted prior to the drafting of sourcing documentation. Relevant policies and corporate strategies may include, and cover topics such as:

- Health and safety,
- The Corporate Plan,
- Buy local agenda,
- Social Value Policy,
- Net zero action plan,
- Equality and diversity,
- Modern Slavery Policy,
- Data protection,

2.7.2. Documentation to be issued as part of a procurement activity must clearly and precisely set out the Council's requirement and be of sufficient quality to enable suppliers to submit accurate and unqualified offers.

2.7.3. Documentation should be produced electronically in a format that is appropriate and proportionate for the route to market.

2.7.4. Formal Council templates should be used to ensure completeness and consistency of approach.

2.7.5. Where a framework or DPS provider offers their own templates, these may be used with oversight by Procurement.

2.8. Systems

2.8.1. All procurement activity must be undertaken electronically using systems that are appropriate and proportionate for the route to market.

2.8.2. The Council's formal e- procurement system must be used for all procurement activity that is advertised and subject to the Regulations.

2.8.3. Where a framework or DPS provider offers use of their own portal, this may be used with oversight by Procurement.

2.9. Advertisement

2.9.1. The advertisement of procurement opportunities shall be in line with the thresholds as set out in *Table 6*.

2.9.2. Where advertisement is 'optional' the decision must be based on best value for money taking into consideration the nature and value of the requirement and all process costs and benefits.

2.9.3. Advertisements must be made in accordance with the following publication scheme:

Table 7:

	Total Estimated Contract Value		
	Up to £25,000	**Over £25,000 up to relevant GPA threshold**	**Over relevant GPA threshold**
Advertisement platform	Council's e-procurement system	Council's e-procurement system Contracts Finder	Council's e-procurement system Contracts Finder Find a Tender

2.9.4. Care must be taken to ensure that advertisement it is undertaken in accordance with the Regulations, where applicable.

2.9.5. Where a framework or DPS is used, the advertisement rules of that specific route to market must be complied with.

2.10. Timescales

2.10.1. Quotation and Tender timescales for submission shall be reasonable, sufficient, and proportional to enable Suppliers to submit a suitable response and facilitate genuine competition.

2.10.2. Any procurement activity above the relevant GPA threshold must comply with the relevant timescales as set out in the Regulations.

2.11. Terms and Conditions

2.11.1. Wherever possible and appropriate to do so, contracts shall be based on the Council's standard Terms and Conditions, related to the subject matter of the contract.

2.11.2. Specialist Terms and Conditions can be used, subject to agreement with Procurement and in consultation with Legal Services where required.

2.11.3. Terms and Conditions shall be stated and disclosed within the Sourcing Documentation.

2.12. Sourcing Strategy Decisions

2.12.1. The table below sets out the Council's minimum requirements when approving a sourcing strategy.

2.12.2. The requirements are based on total estimated contract value (Ex. VAT) however officers should also consider the specifics of their requirement and consider whether a higher level of approval is appropriate.

2.12.3. No procurement can commence without the appropriate 'Sourcing strategy decision' authorisation.

Table 8:

Consideration	Total Estimated Contract Value		
	Up to £50,000	**Over £50,000 up to £200,000**	**Over £200,000**
Authorisation level	Responsible Officer	Head of Service	Service Director/ Strategic Director
Documentation	No formal requirement	Sourcing Strategy	Sourcing Strategy
Publication of Decision	No	No	No
Decision subject to call in	No	No	No

3. Stage 3: Source the Supplier

3.1. Stage Introduction

3.1.1. Following authorisation of the sourcing strategy the procurement must be issued in accordance with the sourcing strategy and comply with the Regulations where applicable.

3.2. Communication

3.2.1. Communication with suppliers as part of any procurement activity must be in accordance with the process as published in the sourcing documentation and adhere to the principles of transparency, equal treatment, proportionality, non-discrimination, and mutual recognition.

3.2.2. Where procurement activity is undertaken using the Council's e-procurement System all communication must be made via that System. **No direct communication between the Responsible Officer (or their representatives) and Suppliers must take place to preserve the integrity of the process**.

3.3. Receipt of Quotations / Tenders

3.3.1. Requests to participate, quotations and tenders must be received in accordance with the submission instructions published in the sourcing documentation.

3.3.2. Requests to participate, quotations and Tenders received after the submission deadline or not otherwise in accordance with the submission instructions should be assessed in line with *Procedural Note: Late Submissions***.**

3.4. Evaluation

3.4.1. Requests to participate, quotations and tenders should not be opened until the submission deadline has passed.

3.4.2. Any individual who is appointed as an evaluator must have the appropriate skills and experience to ensure transparency and robustness of the process.

3.4.3. Requests to participate, quotations and tenders will be evaluated in accordance with the evaluation criteria and methodology as published in the sourcing documentation.

3.4.4. Evaluations must be undertaken using formal Council templates and in line with Procurement guidance to ensure a consistent, fair, and transparent approach.

3.4.5. Where information within a request to participate, quotation or tender is felt to be missing or erroneous reference should be made to *Procedural Note: Missing or Erroneous Information.*

4. Stage 4: Award the Contract

4.1. Stage Introduction

4.1.1. The Council is under no obligation to award a contract(s) at the conclusion of a procurement activity.

4.1.2. Where the Council makes the decision not to award a contract, a written record of the reasons for the decision should be made.

4.1.3. Contracts must be awarded in accordance with the process as published in the sourcing documentation and comply with the Regulations where applicable.

4.2. Contract Award Decisions

4.2.1. The table below sets out the Council's minimum requirements when awarding a contract.

4.2.2. The requirements are based on total contract value (Ex. VAT) however officers should also consider the specifics of their proposed contract and consider whether a higher level of approval is more appropriate.

4.2.3. No contract can be committed without the appropriate 'contract award decision' authorisation.

Table 9:

Consideration	**Total Estimated Contract Value**				
	Up to £50,000	**Over £50,000 up to £200,000**	**Over £200,000 up to £500,000**	**Over £500,000 up to £3,000,000**	**Over £3,000,000** *or* **Key Decision**
Authorisation level	Responsible Officer	Head of Service	Service Director/ Strategic Director	Portfolio Holder*	Cabinet* or The Leader*

Contract Award	Procurement Checklist	Contract Award Report	• Contract Award Report • Climate Impact Assessment***	• Contract Award Report • Executive Decision** • EIA • Climate Impact Assessment***	<u>Cabinet</u> • Contract Award Report • Cabinet Paper** • EIA • Climate Impact Assessment*** <u>The Leader:</u> • Contract Award Report • Executive Decision ** • EIA • Climate Impact Assessment***
Publication of Decision	No	No	No	Yes	Yes
Decision subject to call in	No	No	No	Yes	Yes
Published on the Forward Plan	No	No	No	Only where not added at Stage 1. See Stage 1 for details	

* Where a contract award decision has been delegated at Stage 1, a Contract Award Report must be completed, and the named officer must make and publish an Officer Executive Decision to use the delegation. This decision will not be key and will not be subject to call-in.
** Where information is confidential Part I and Part II papers should be used
*** Where decision is capital and/or Key

4.3. Notification of Award

4.3.1. The Council's decision to award a contract (or otherwise) should be communicated to the Suppliers who have taken part in a procurement activity at the earliest opportunity and prior to the publication of the decision into the public domain.

4.3.2. Notification must be in writing using formal Council templates and in line with Procurement guidance to ensure a consistent, fair, and transparent approach.

4.3.3. Where a mandatory standstill period does not apply, consideration should be given as to whether a voluntary standstill should be implemented.

4.4. Contract Arrangements

4.4.1. Contracts are to be executed in accordance with the table below:

Table 10:

Consideration	**Total Contract Value**				
	Up to £50,000	**Over £50,000 up to £200,000**	**Over £200,000 up to £500,000**	**Over £500,000 up to £3,000,000**	**Over £3,000,000** *or* **Key Decision**
Contract Signatory	Strategic Director/ Service Director*	Strategic Director/ Service Director*	Service Director/ Strategic Director*	Strategic Director/ Service Director*	Strategic Director/ Service Director*
Form of Contract	Council Purchase Order *or* Formal Contract Agreement	Council Purchase Order *or* Formal Contract Agreement *or* Sealed Contract**	Formal Contract Agreement *or* Sealed Contract**	Formal Contract Agreement *or* Sealed Contract**	Formal Contract Agreement *or* Sealed Contract**

* Strategic and Service Directors can delegate their authority to sign contracts to officers.
**See below for when a Sealed Contract is required

4.4.2. In the event of any ambiguity as to the appropriate level of authorisation required; the overarching Financial Regulation 24.3 will take precedence.

4.4.3. All contracts must be in writing.

4.4.4. Contracts shall be executed as a deed (Sealed Contract) if they are:

- **4.4.4.1.** For Works contracts (e.g. construction), or
- **4.4.4.2.** Where the Council may wish to enforce the contract more than six years after its end; or
- **4.4.4.3.** Nil consideration or the price paid or received under the contract is a nominal price and does not reflect the value of the supplies or services; or
- **4.4.4.4.** the Total Value exceeds £1,000,000; or
- **4.4.4.5.** legally required to be executed as a deed or if the Head of Legal Services advises they must be executed as a deed; or
- **4.4.4.6.** probate.

4.4.5. Only Legal Services can execute documents as deed (Sealed Contract) by affixing the Council's seal.

4.4.6. Formal Contract Agreements or Sealed Contracts must be signed by all parties. Electronic signatures may be used in accordance with the Electronic Signature Regulations 2002 provided assurance the arrangements are secure. Currently the Council cannot execute its part of Sealed Contracts electronically.

4.5. Contract Publication Requirements

4.5.1. The table below sets out the Council's minimum contract publication requirements in accordance with the Regulations and wider Local Government Transparency requirements. Values EX VAT:

Table 11:

Consideration	**Total Contract Value**			
	Up to £5,000	**Over £5,000 up to £25,000**	**Over £25,000 up to relevant GPA threshold**	**Over relevant GPA threshold**
Council Contract	No	Yes	Yes	Yes

Register				
UK Government Portal	No	No	Contracts Finder	Find a Tender *and* Contracts Finder

4.5.2. The scope and timing of the information to be published must comply with the minimum requirements as set out in the Regulations and wider Local Government Transparency requirements, where applicable, subject to the consideration of any prescribed exemptions.

5. Stage 5- Manage the Contract

5.1. Stage Introduction

5.1.1. Once the contract has been executed full ownership and responsibility for the delivery of the contract transfers to the Responsible Officer and their wider department.

5.2. Contract Management and Monitoring

5.2.1. **Every Council contract must have a designated Contract Manager.** If a Contract Manager leaves the Council's employment, responsibility must be formally allocated to another officer.

5.2.2. Any Officer who is appointed a Contract Manager must have the appropriate skills and experience to ensure delivery of the Council's requirement in accordance with the contract.

5.2.3. Contract management and monitoring arrangements shall be undertaken in a manner that is relevant and proportionate to the benefits and the risks associated with the specific requirement.

5.2.4. Contract Managers should also consider how the contract may be continuously improved over its duration.

5.3. Take up of Contract Options

5.3.1. This section applies where a contract option was clearly, precisely, and unequivocally provided for in the initial procurement documentation and formed part of the original contract award decision.

5.3.2. The take up of contract option(s) must be actioned in accordance with the terms of the relevant contract or framework agreement and comply with the Regulations, where applicable.

5.3.3. The take up of all contract options shall be in writing and executed in the same manner as the original contract.

5.3.4. The table below sets out the Council's minimum requirements when taking up a contract option:

Table 12:

Consideration	All Option Value
Authorisation Level	Contract Manager
Documentation	Contract Option Take Up Form
Publication of Decision	No
Decision subject to call in	No

5.4. Contract Variations

5.4.1. This section applies where the Council is looking to vary an existing contract or framework agreement, where the proposed variation is outside of the scope of the initial procurement and did not form part of the original contract award decision.

5.4.2. All variation must be actioned in accordance with the terms of the relevant contract or framework agreement and comply with the Regulations, where applicable.

5.4.3. All variations shall be in writing and executed in the same manner as the original contract.

5.4.4. No contract/ framework agreement can be varied without the appropriate 'variation decision' authorisation in accordance with the table below:

Table 13:

Consideration	Total Variation Value				
	Up to £50,000	**Over £50,000 up to £200,000**	**Over £200,000 up to £500,000**	**Over £500,000 up to £3,000,000**	**Over £3,000,000** *or* **Key Decision**
Authorisation level	Responsible Officer	Head of Service	Service Director/ Strategic Director	Portfolio Holder*	Cabinet* *or* The Leader*
Documentation	Contract Variation Authorisation Form	Contract Variation Authorisation Form	Contract Variation Authorisation Form	• Contract Variation Authorisation Form • Executive Decision**	<u>Cabinet</u> • Contract Variation Authorisation Form • Cabinet Paper** • EIA <u>The Leader:</u> • Contract Variation Authorisation Form • Executive Decision ** • EIA
Publication of Decision	No	No	No	Yes	Yes
subject to call in	No	No	No	Yes	Yes
Published on the Forward Plan	No	No	No	Only where not added at Stage 1. See Stage 1 for details	

* Where a contract variation decision has been delegated at Stage 1 a Contract Variation Authorisation Form must be completed and the named officer must make and publish an Officer Executive Decision to use the delegation. This decision will not be key and will not be subject to call-in.

** Where information is confidential Part 1 and Part II papers should be used.

5.5. Contract Novation/ Assignment

5.5.1. The transfer of the rights and/or obligations of a party to a contract, which the Council has a formal interest in, to another party may be considered in accordance with this section.

5.5.2. Any novation/ assignment must be actioned in accordance with the terms of the relevant contract and comply with the Regulations, where applicable.

5.5.3. All novations/assignments shall be in writing.

5.5.4. Change of Supplier

5.5.4.1. Where a supplier requests the novation or assignment of their contract with the Council to another supplier, the Council's Contract Manager, in consultation with relevant subject matter experts must ensure that sufficient due diligence is carried out to give the Council confidence that the new supplier is sufficiently capable and that the contract will be delivered to the same or a comparable standard as originally contracted.

5.5.4.2. The level of due diligence required is to be determined on a contract-by-contract basis relevant and proportionate to the nature and value of the contract.

5.5.4.3. Novation of a Council contract to a new supplier must be executed in accordance with the table below:

Table 14:

Consideration	**Novated Contract Value**
	All values
Authorisation Level	Contract Manager
Documentation	Contract Novation or Assignment Review Form

5.5.5. Change of Contracting Authority

5.5.5.1. Where the Council wishes to novate or assign its contract with a supplier to another contracting authority, such as one of its arms-length companies, the Contract Manager in consultation with relevant subject matter experts, will provide sufficient assurances to the supplier and the organisation as to the appropriateness of the transfer and support the transition of the contract.

5.5.5.2. Novation of a contract from the Council to a new contracting authority must be executed in accordance with the table below:

Table 15:

Consideration	**Novated Contract Value**
	All values
Authorisation Level	Contract Manager
Documentation	Contract Novation or Assignment Review Form

5.5.6. Acceptance of Novated or Assigned Contracts

5.5.6.1. Where an organisation, such as a Council partner requests the novation or assignment of their contract with a supplier to the Council, a Council Contract Manager must be nominated who, in consultation with relevant subject matter experts, must ensure that sufficient due diligence is carried out to give the Council confidence that becoming a party to the contract is in the best interests of Council and any risks are minimised to an acceptable level.

5.5.6.2. The level of due diligence required is to be determined on a contract-by-contract basis relevant and proportionate to the nature and value of the contract.

5.5.6.3. The acceptance of a novated or assigned contract must be made in accordance with the table below:

Table 16:

Consideration	Total Contract Value				
	Up to £50,000	**Over £50,000 up to £200,000**	**Over £200,000 up to £500,000**	**Over £500,000 up to £3,000,000 ***	**Over £3,000,000** or **Key Decision*****
Authorisation level	Responsible Officer	Head of Service	Service Director/ Strategic Director	Portfolio Holder*	Cabinet* *or* The Leader*
Documentation	Contract Novation or Assignment Authorisation Form	Contract Novation or Assignment Authorisation Form	Contract Novation or Assignment Authorisation Form	• Contract Novation or Assignment Authorisation Form • Executive Decision** • EIA	• Contract Novation or Assignment Authorisation Form • Cabinet Paper** • EIA
Publication of Decision	No	No	No	Yes	Yes
Decision subject to call in	No	No	No	Yes	Yes
Published on the Forward Plan	No	No	No	Only where not added at Stage 1. See Stage 1 for details	

* Where a contract novation or assignment decision is delegated a Contract Novation or Assignment Authorisation Form must be completed and the named officer must make and publish an Officer Executive Decision to use the delegation. This decision will not be key and will not be subject to call-in.

** Where information is confidential Part I and Part II papers should be used.

5.6. End of Contract Review

5.6.1. Prior to the expiry of a contract a review should be undertaken by the Contract Manager, assessing the overall success of the contract's delivery. This review will form the Council's official contract performance record and should include any key points of

learning for future contracts.

5.7. Asset Disposal

5.7.1. Assets used during the delivery of a contract should be disposed of in accordance with the policy or process set out in the contract. Where no such policy or process was agreed within the contract, the Contract Manager should consider all the disposal options available and make a decision based on which option represents best value for money.

5.8. Re-procurement

5.8.1. Where the subject matter of a contract is an ongoing requirement and the existing contract is about to expire, the procurement cycle must be restarted from Stage 1: Analyse the Need.

5.8.2. Sufficient time must be given to complete another procurement cycle prior to the existing contract expiring, including consideration for a mobilisation and/or transition period to ensure continuity of service and a smooth transfer from one contract to another.

5.8.3. What is considered 'sufficient' time must be agreed between the Responsible Officer and Procurement on a procurement-by-procurement basis, but the Council's default approach is:

5.8.3.1. Contracts with a total estimated value **above** the relevant GPA threshold: 12-18 months
5.8.3.2. Contracts with a total estimated value **below** the relevant GPA threshold: 6- 12 months

Appendix A - Procedural Notes

- Source Sole Arrangement
- Contract Standing Orders Waiver
- Breach of Contract Standing Orders
- Buy Local
- Procurement Self-Service
- Late Submissions
- Missing or Erroneous Information

Appendix B- Roles and Responsibilities

Cabinet	Ensuring compliance with the Members' Code of Conduct, including in relation to any interests they may have, and any specific responsibilities they have in relation to the CSOs themselves. Authorisation in line with levels as set out in the document
Corporate Management Team	Maintaining a strategic overview of compliance with the CSOs and overall accountability for non-compliance with the CSOs in their respective areas of responsibility. Instructing relevant changes to ensure compliance and controls remain effective.
Head of Procurement	Overall ownership of the CSOs and ensuring that the overall framework for procurement considerations is complied with robustly and effectively. Ensuring compliance with the Council's overarching decision-making responsibilities and providing related guidance.
Legal Services	Leading on the overall ownership of legal matters related to Contract Terms and Conditions. Point of escalation in relation to formal challenges within procurement or contract matters.
Monitoring Officer	To ensure overall lawfulness and fairness of procurement processes and decision-making. To provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all Councillors and Council Officers. Acting as the ultimate point of escalation in respect of breaches or non-compliance with the CSOs and wider procurement and contract law and enforcing corrective action where required.
Portfolio Holder	Ensuring accountability by Officers is maintained with responsibilities for delivery of the CSOs. Authorisation in line with levels as set out in the document
Procurement	Covering both the Procurement Service and Officers with formal Procurement-related positions in Strategic Cooperative Commissioning. Acting as primary advisory service in relation to public sector procurement, commercial and contract management matters.

Responsible Officer	The Officer formally designated the departmental procurement lead. Has overall responsibility for ensuring compliance with CSOs and wider procurement and contract law during the delivery of the activities described within this document. Has the responsibility to seek the advice of subject matter experts where necessary.
Section 151 Officer	Ensuring overall probity in respect of related financial matters, through relevant controls and monitoring.
Service / Strategic Director	Authorisation in line with levels as set out in the document and Scheme of Delegation as set out in the Constitution. Ensuring awareness and compliance within their respective areas of responsibility. Point of escalation to investigate and / or implement corrective action in instances of breach or non-compliance within the respective area of responsibility and, where necessary, onward escalation to Director / Monitoring Officer.
Subject Matter Expert	Subject Matter Experts shall be relevant subject matter experts related to specialisms or professions, e.g. Procurement, service area teams, Legal Services, Finance, Health, and Safety, etc. to be consulted at appropriate times during the procurement process.

Appendix C- Defined Terms

Best Value Duty: Requirement placed on Councils 'to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness."

Breach: Where there has been failure to comply with an aspect of the Contract Standing Orders.

Concession Contract: a form of contract where consideration consists in the right to exploit the work, or services, that are the subject of the contract, or that right to exploit together with a payment and shall always imply an operating risk of economic nature involving the possibility that it will not recoup the investments made and the costs incurred in operating those works or services.

Conflict of Interest: Any direct or indirect personal, professional, or financial interest which could inappropriately influence an Officer in the execution of their duties and responsibilities as an employee of the Council.

Contract Register: Means the formal Contract Register of the Council to comply with the Local Government Transparency Code 2015 see www.supplyingthesouthwest.org.uk

Contract Standing Orders (CSOs): Means this document and referenced Procedural Notes that form the overall rules around how the Council shall consider public procurements.

Corporate Contracts: Means contracts that have been set up with the expressed intention of supporting the delivery of Supplies, Services or Works across the whole of the Council.

Corporate Plan: Sets out the vision for the city and the Council and reflects the Council's mission, values, and priorities to support this.

Dynamic Purchasing System: A type of procurement procedure that allows contracting authorities to set up a list of pre-qualified suppliers who can be invited to participate in tenders for specific contracts during the life of the DPS.

Emergency: an unforeseen and sudden situation that poses an immediate risk to human, animal or plant life or health, or public order or safety, or property or serious disruption to Council services or significant financial losses.

Framework Agreement: an agreement or arrangement between one or more procurers and one or more suppliers, the purpose of which is to establish the requirement and the contract conditions that will apply to future orders or contracts that the procurer(s) may enter into during the period for which the framework agreement is established.

GPA Thresholds: Meaning the defined thresholds that apply for the purposes of the Public Contracts Regulations 2015, Utilities Contracts Regulations 2016, the Concession Contracts Regulations 2016 and the Defence and Security Public Contracts Regulations 2011 ("the UK regulations").

Grant: shall mean a payment from a funder (e.g. the Council) to help a recipient (e.g. charity) as a form of donation. The intention is not to form a legally binding contract and no supplies, services or works are delivered directly in return. The funder may set general conditions as to how the grant should be used but cannot place detailed expectations on the recipient in the form of underlying obligations, if they do this becomes a contract and is subject to procurement rules.

Local Government Transparency Code: Refers to the Local government transparency code 2015 which sets out the minimum data that local authorities should be publishing, the frequency it should be published and how it should be published.

Procedural Note: Means detailed guidance issued by the Head of Procurement, may include standard documents and forms, which supports the practice and the implementation of these Rules.

Procurement: Procurement professionals within the Procurement Service or Officers with formal Procurement-related positions in Strategic Cooperative Commissioning.

Procurement Policy Note: Formal guidance issued by central government on best practice procurement in the public sector.

Quotation: A quotation is a statement from a supplier setting out the estimated cost for supplies, services or works in accordance with the Council's specification

Regulations: Means any set of relevant Procurement Regulations including but not limited to the Public Contracts Regulations 2015 the Concession Contracts Regulations 2016 and The Health Care Services (Provider Selection Regime) Regulations 2023

Responsible Officer: Means the Officer who has direct responsibilities from an operational / client perspective for the Supplies, Services and Works.

Sealed Contract: being a contract executed under seal by the parties (signed by the parties, witnessed and most importantly made clear that it is executed as a deed) with the intentions to secure limitation period of 12 years, for example specifically relevant in the case of Works contracts

Services: means the provision of Service from a Supplier(s) to the Council as a Contracting Authority. See also "Public Service Contract" as defined in the Regulations http://www.legislation.gov.uk/uksi/2015/102/regulation/2/made

SME: Small and Medium Enterprises defined as a business having less than 250 employees with turnover equal to or less than £50 million or a balance sheet equal to or less than £43million.

Social Value: Plymouth City Council's working definition of social value is 'a process whereby the organisation procures and commissions goods, services and works in a way that achieves value for money on a whole life basis in terms of generating benefits to society and the economy, whilst minimising damage to the environment'. http://democracy.plymouth.gov.uk/mgConvert2PDF.aspx?ID=99353

Sole Source: Where there is only one supplier who can provide the required supplies, services or works, where no reasonable alternative or substitute exists, and the absence of competition is not the result of an artificial narrowing down of the parameters of the procurement. For example, related to licencing requirements, subscriptions to specific organisations and where a supplier has an exclusive right.

Sourcing Strategy: means the approach to determining how to secure supplies, services, or works on behalf of the Council.

Supplier: means a third party who either is already contracted with the Council or is taking part in a procurement activity. Also used in general terms to define potential third parties who provide contracted arrangements to others.

Supplies: means the provision of Supplies from a Supplier(s) to the Council as a Contracting Authority. See also "Public Supplies Contract" as defined in the Regulations http://www.legislation.gov.uk/uksi/2015/102/regulation/2/made

Teckal: The right to award contracts for Supplies, Services or Works from the controlling authority to the Council Owned company (or vice-versa). See the Regulations regulation 12 for more details: http://www.legislation.gov.uk/uksi/2015/102/regulation/12/made

Teckal Company / Council Company: A company owned in whole or in part by the Council which benefits from contracts for supplies, services or works, from its controlling Contracting Authority (e.g. the Council) (or vice-versa) without having to go through a competitive tender process.

Tender: A tender is a formal offer to supply goods or services or perform work that becomes legal binding if accepted.

Works: means the provision of Works from a Supplier(s) to the Council as a Contracting Authority. See also "Public Work Contract" as defined in the Regulations: http://www.legislation.gov.uk/uksi/2015/102/regulation/2/made

Audit and Governance Committee

Date of meeting:	23 July 2024
Title of Report:	**Procurement Strategy**
Lead Member:	Councillor Chris Penberthy (Cabinet Member for Housing, Cooperative Development, and Communities)
Lead Strategic Director:	Giles Perritt (Assistant Chief Executive)
Author:	Holly Golden
Contact Email:	holly.golden@plymouth.gov.uk
Your Reference:	HG/PS/736/CP/0724
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report
To seek approval of a new organisational Procurement Strategy for the period 2024-2026.

The strategy incorporates current national and local priorities as well as taking account of known upcoming government legislative and policy changes.

The strategy is structured into three parts:

1- The Council's chosen strategic procurement framework- category management,
2- The Council's nine strategic procurement themes to delivered within this framework,
3- The five key enablers to the successful delivery of the strategy.

Recommendations and Reasons

1. To approve the proposed Procurement Strategy for 2024-2026
   Reason: To formally document the Council's priorities in relation to Procurement and to deliver against the recommendation made by the Council's financial auditors

Alternative options considered and rejected
The option not to produce a Procurement strategy is rejected on the grounds it would be contrary to good practice and would in effect be a rejection of the financial auditor's recommendation.

Relevance to the Corporate Plan and/or the Plymouth Plan
An organisational procurement strategy ensures that the Council's priorities as set out in the Plymouth Plan and Corporate Plan are formally recognised within the Council's approach to procurement. The strategy also sets organisational expectations in relation to the delivery of these priorities including measures of success.

Implications for the Medium Term Financial Plan and Resource Implications:
The strategy highlights the importance of the Council securing value for money through its contracts with external suppliers as well as seeking commercial opportunity, both of which have a positive impact of the Council's MTFP.
The importance of compliance is also highlighted which seeks to mitigate financial risks related to non-compliant procurement activity such as fines and damages.

Financial Risks
None as a result of this report

Carbon Footprint (Environmental) Implications:
None as a result of this report but it is noted that addressing the 'Climate Emergency' is one of the strategic themes identified in the strategy.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:
** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*
None as a result of this report but it is noted that the strategic themes identified in the strategy cover a range of related areas such as 'Equality and Diversity', 'Modern Slavery' and 'Social Value'

Appendices
**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
		1	2	3	4	5	6	7
A	Procurement Strategy 2024-2026							
B								
C								

Background papers:
**Add rows as required to box below*

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

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

Sign off:

Fin	DJN. 24.25. 043	Leg	LS/00 0010 75/1/ AC/1 2/7/2 4	Mon Off	N/A	HR	N/A	Asset s	N/A	Strat Proc	HG/PS/73 6/CP/0724
Originating Senior Leadership Team member: Liz Bryant- Monitoring Officer											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 12/07/2024											
Cabinet Member approval: *Approved verbally by Councillor Chris Penberthy* Date approved: 12/07/2024											

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PLYMOUTH CITY COUNCIL- PROCUREMENT STRATEGY

2024- 2026

"Our vision is to be a leader in local authority procurement where the value created through our procurement activity is maximised for the benefit of Plymouth's economy, community and environment and secured in a way which is open, fair, responsible and encourages co-operation and collective growth'

Introduction

Plymouth City Council (The Council) is responsible for delivering more than three hundred local services and spends on average £350 million per annum with external suppliers in the fulfilment of this duty. These external suppliers are contracted through procurement and commissioning activity (collectively hereafter termed 'procurement') and this document sets out the Council's strategy for ensuring that these contracts meet the needs and expectations of the City and secure the best possible deal for Plymouth.

Procurement has a wide reach across Council activity and applies to the acquisition and commissioning of supplies, services and works, revenue and capital spend, new requirements, the re-contracting and/or variation of existing contracts and the spending of grant funding.

Procurement is concerned with the whole contract lifecycle from identification of a business need through to the successful delivery of the supplies, services or works including any asset disposal. The procurement lifecycle is illustrated below:



This strategy incorporates current national and local priorities but also, as far as possible, takes account of known upcoming government legislative and policy changes. For example, the statutory provisions are presently undergoing a transformation based on the Procurement Act 2023 with the new regime going live on the 28 October 2024. Many of the new regime priorities are considered within this strategy but future amendments may be required.

It is in recognition of this notable change that this strategy initially only spans a two-year period (2024-2026) and enables the alignment of the Council's strategy to that of the Local Government Association's National Procurement Strategy for Local Government in England which is due to be updated in 2026.

National Priorities

This strategy is informed by two key national procurement priority publications:



Central government's **National Procurement Policy Statement** which sets out the strategic priorities for public procurement. Priorities include:

a. Value for Money
b. Social Value
c. Small and Medium-sized Enterprises
d. Commercial and procurement delivery
e. Skills and Capability for Procurement



The Local Government Association's **National Procurement Strategy for Local Government in England** 2022 which sets out the ambition of the sector. Priorities include:

f. Showing Leadership
g. Behaving Commercially
h. Achieving community benefits

Local Priorities

This strategy is informed by several local priority policies and plans, including:



The **Plymouth Plan-** which sets a shared direction of travel for the long-term future of the city. Priorities include:

a. Plymouth as a healthy city
b. Plymouth as a growing city
c. Plymouth as an international city



The **Corporate Plan-** which sets out the vision for the city and the Council and reflects the Council's mission, values, and priorities to support this. Priorities include:

d. Tackling crime and anti-social behaviour,
e. Fewer potholes, cleaner, greener streets, and transport,
f. Build more homes,
g. Better access to health, care, and dentistry,
h. Keeping children, adults, and communities safe,



The Council's **Net Zero Action Plan-** which sets out how the Council will tackle climate change and meet its ambition of achieving net zero by 2030.



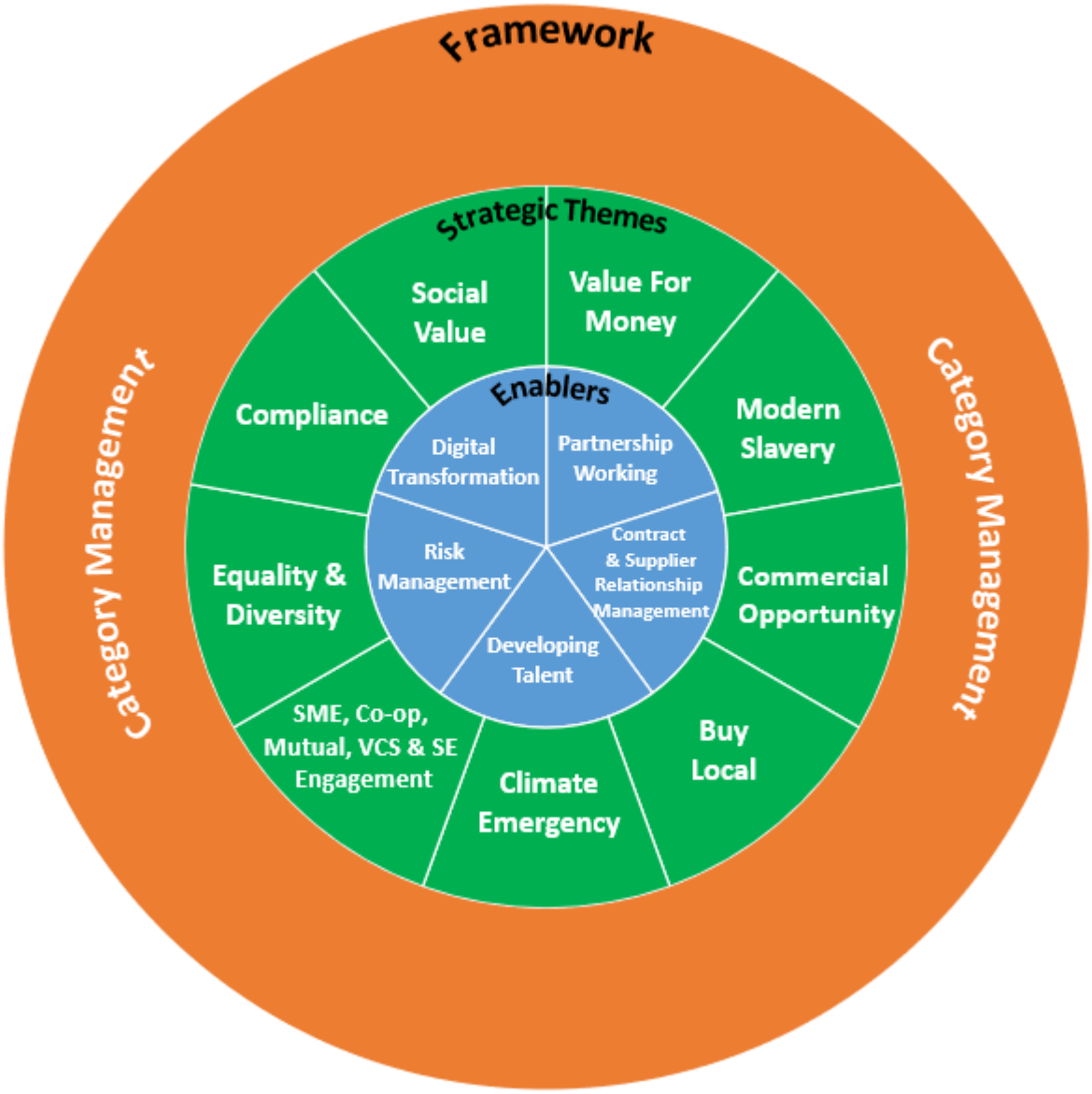
The Council's **Equality and Diversity Action Plan-** which sets out how the Council will fulfil its Public Sector Equality Duty



The Council's **Modern Slavery Policy-** which sets out how the Council will fulfil its commitment to eliminating practices and conditions which may foster modern slavery to occur.

Council Procurement Strategy

In order to deliver these national and local priorities the Council will pursue the following Procurement strategy:



Framework

The Council's chosen strategic procurement framework is Category Management which is where an organisation segments it spend into areas which contain similar or related characteristics for the purposes of managing procurement activity. Category Management is widely held in the profession to be the most effective and efficient approach to Procurement and can deliver the following benefits:

- Developing expertise and market knowledge through **categorisation** aligned with external supply markets to discover opportunities to be commercial and for innovation,
- Focusing on data and spend **analysis** to make insights and overall better-informed decisions,
- Securing reductions in costs including purchase price by increasing volumes and reducing transactions through **aggregation** of business requirements,
- Achieving consistency and assurance through the **standardisation** of policies and procedures,
- Building strong relationships with suppliers to ensure the successful delivery of outcomes, and pursue continuous improvement through a focus on **relationship management,**
- Taking a risk-based approach to the management of procurement through **segmentation** to inform prioritisation and make best use of resources,

Following an analysis of the Council's spend profile the Council's chosen procurement categories are:



For the purposes of assigning Council requirements to these categories the Council's chosen classification system is Proclass which is owned and developed by local government. The benefits of adopting this system are:

- Mapped to 'Common Procurement Vocabulary' for ease of cross-reference to Procurement Regulations,
- Hierarchical structure to support flexible and adaptable application,
- Used by most local authorities in England for ease of collaboration,
- Understandable for both professional and non-professional procurers,
- Free to use.

Strategic Themes

Under the structure of Category Management, the following strategic themes will be delivered:



Value For Money

The Council is committed to putting value for money at the forefront of its procurement activities which means procuring in a way that will secure the optimum balance of price, quality, and social value. Factors to be considered when determining the optimum balance include- the subject matter, scope, frequency, estimated value, and delivery timescales of the requirement, the level of market interest, process complexity, legal compliance, resource demands and the other strategic objectives.

Why it is important: To ensure the Council fulfils its obligation to use taxpayers' money wisely, deliver public services efficiently and maximise the benefits for its citizens.

This priority will be delivered by:

- Setting corporate procurement rules and procedures which are designed to deliver value for money as standard,
- Where appropriate, undertaking procurement options appraisals to identify the route to market which will deliver best value on a requirement-by-requirement basis,
- Considering the whole lifecycle cost of a product, service or works when undertaking a procurement activity,
- Holding the default position that the running of a competitive multi-supplier process will deliver best value for money and should be pursued wherever possible,
- Requiring robust justification where a direct award strategy is pursued.

Success will be measured by: monitoring levels of non-compliance with Council procurement rules and procedures as well as the monitoring of instances where decisions are made to waive those rules and procedures.



Commercial Opportunity

The Council will consider opportunities to be commercial when undertaking procurement activity to ensure the delivery of public services is sustainable.

Why it is important: As government funding changes and costs rise local authorities are required to look at other means of reducing funding deficits.

This priority will be delivered by:

- Gathering market intelligence to ensure procurement opportunities are specified in a way which is commercially attractive to suppliers,
- Maximising commercial attractiveness by aggregating requirements where appropriate,
- Developing sourcing strategies that are appropriate and proportionate for a given requirement to ensure suppliers remain interested and engaged,
- Focusing on output-based/ performance specifications to give suppliers the opportunity to offer innovative and added-value solutions,
- Income generating/ cost recovery through delivering procurement services for the Council's family of companies.

Success will be measured by: The continuing delivery of both statutory and discretionary public services to a sufficient standard.

Social Value

The Council will look to maximise the benefit of its spending for the local economy, community and environment beyond the basic cost and quality of a contract which is known as 'Social Value.' Examples of social value include- tackling climate change, promoting local skills and employment, and supporting healthier and safer communities.

Why it is important: The concept of value has evolved in recent years and the expectations placed on local authorities has expanded over and above the delivery of public services directly required.

This priority will be delivered by:

- Embedding social value into the Council's standard rules and procedures
- Procuring in accordance with the Council's Social Value policy
- Including social value criteria in procurement activities even where is it discretionary to do-so within the Council's policy, where is it relevant to the subject matter of the contract and proportionate to do-so

Success will be measured by: organisational performance against a corporate social value target as well as the monitoring of instances of social value inclusion within procurement activities.

Buy Local

The Council will look to 'keep the pounds in Plymouth' where possible through its procurement activity by engaging directly with local businesses.

The Council's definition of 'local' is 'PL Postcode' on the basis that investment in the local economy and benefits to the city are not only delivered through direct spend with central Plymouth businesses but are also a result of spending with the wider economic area. For example, the substantial number of Plymouth citizens who work for companies out of the Council boundaries.

Why it is important: The Council is a unitary authority that is responsible for the wellbeing of Plymouth and its citizens and therefore has a duty to invest in the local economy where possible for the benefit of the city.

This priority will be delivered by:

- Embedding a 'Buy Local' Agenda into the Council's standard procurement rules and procedures which looks to maximise local business engagement in procurement activities where possible,
- Procuring in accordance with the Council's 'Buy Local' Procedural Note,
- Developing a Directory which aims to bring local business buyers and suppliers together,
- Looking to reduce and remove barriers faced by local businesses to maximise their chances of success,
- Requiring robust justification where the Buy Local agenda is not delivered as part of procurement activity where appropriate,

Success will be measured by: organisational performance against a corporate PL postcode spend target as well as the monitoring of the number of PL postcode suppliers the Council does business with as a percentage of its total direct supply chain.

SME, Co-op, Mutual, VCS and SE Engagement

The Council is committed to supporting small and medium enterprises; micro businesses; co-operatives and mutuals; social enterprises; and the voluntary and community sector.

Why it is important: These businesses and organisations are the backbone of the UK economy and play a significant role in local communities, creating jobs and generating income for those on low incomes, advocating and representing the voice of service users as well as being a source of innovation in the delivery of public services.

This priority will be delivered by:

- Embedding an 'SME Agenda' into the Council's standard procurement rules and procedures which looks to maximise the engagement of these businesses and organisations in procurement activities where possible,
- Looking to reduce and remove barriers faced by these businesses and organisations to ensure there is a level playing field in competing for public procurement opportunities e.g. the letting of contracts,
- Pursuing policies and implementing measures which recognise the particular complexities and challenges faced by these businesses and organisations e.g. 15 days SME payment terms.

Success will be measured by: organisational performance against a corporate SME spend target as well as the monitoring of the number of SMEs the Council does business with as a percentage of its total direct supply chain.

Equality and Diversity

The Council will demonstrate as part of the contracts it procures and the suppliers it does business with, its commitment to valuing, promoting, and celebrating equality, diversity, and community cohesion.

Why it is important: To ensure the Council fulfils its Public Sector Equality Duty and that Plymouth residents, employees and visitors enjoy an outstanding quality of life.

This priority will be delivered by:

- Consideration of equality and diversity when assessing the suitability of suppliers to deliver Council contracts where relevant and proportionate,
- Including equality and diversity related expectations and standards in contract specifications where relevant and proportionate,
- Setting equality and diversity related contract award criteria where relevant and proportionate,
- Requiring contracted suppliers to comply fully with the Equality Act,
- Monitoring supplier performance in relation to equality and diversity as part of contract management,
- Embedding equality impact assessments into Procurement decision-making where appropriate,
- Developing Officer guidance on how to consider equality and diversity effectively and appropriately at each stage of the procurement cycle.

Success will be measured as part of corporate equality and diversity-related indicators and the completion of procurement actions under the Council's Equality and Diversity Action Plan.

Climate Emergency

The Council declared a climate emergency in 2019 and has made a commitment to become carbon neutral by 2030. Procurement has a key role to play in reducing scope 1, 2 and 3 emissions both directly, by the Council controlling what and how it decides to procure and indirectly, through influencing its supply chain.

Why it is important: Tackling climate change is one the Council's top priorities and one of the most significant challenges facing the city and the planet.

This priority will be delivered by:

- Consideration of environmental management and carbon reduction plans when assessing the suitability of suppliers to deliver Council contracts where relevant and proportionate,
- Including environmental expectations and standards in contract specifications where relevant and proportionate,
- Setting environmental related contract award criteria where relevant and proportionate
- Monitoring supplier performance in relation to environmental impact as part of contract management,
- Embedding climate impact assessments into Procurement decision-making where appropriate
- Requiring robust justification where climate considerations are not included in procurement activity where appropriate,
- Developing Officer guidance on how to consider the environment effectively and appropriately at each stage of the procurement cycle.

Success will be measured as part of corporate environmental-related indicators and the completion of procurement actions under the Council's Net Zero Action Plan

Modern Slavery

The Council is committed to taking steps to ensure that the practices and conditions which may allow modern slavery to occur do not take place in the delivery of Council contracts or through its wider supply chain.

Why it is important: Modern slavery is a significant risk to individuals and communities and government legislation is making increasing demands on public bodies such as the Council to tackle this serious and often hidden crime.

This priority will be delivered by:

- Consideration of modern slavery when assessing the suitability of suppliers to deliver Council contracts where relevant and proportionate,
- Requiring contracted suppliers to comply fully with the Modern Slavery Act,
- Putting mechanisms in place to challenge abnormally low-price tenders to ensure they do not rely upon the supplier practising modern slavery,
- Developing Officer guidance on how to consider modern slavery effectively and appropriately at each stage of the procurement cycle,
- Exploring use of the government's Modern Slavery Assessment Tool with contracted suppliers.

Success will be measured by the completion of procurement actions under the Council's Modern Slavery Action Plan and as part of the Council's Annual Modern Slavery Statement reported to Cabinet annually.



Compliance

The Council will comply with all procurement-related legal requirements, primarily being the Council's Contract Standing Orders, current statutory provisions including the Public Contracts Regulations 2015 the Concession Contracts Regulations 2016 and The Health Care Services (Provider Selection Regime) Regulations 2023 and future statutory provisions such as The Procurement Act 2023.

Consideration will also be given to central government policy and guidance.

Why it is important: Public Sector procurement is heavily regulated as a mechanism for ensuring public funds are optimised and are spent in a fair, transparent, proportionate, and non-discriminatory manner. The consequences of not comply with procurement law are serious and can for example include significant financial, operational, and reputational risks.

This priority will be delivered by:

- Ensuring the Council's Contract Standing Orders are comprehensive and up to date but also user-friendly.
- Maintaining robust governance procedures to ensure that compliant practices and processes are adhered to.
- Maintaining dedicated Procurement teams who are responsible for providing expert advice and guidance and facilitating procurement activities where appropriate.
- Ensuring procurement professionals within the Council remain up to date with relevant legislative changes, procurement case law and other evidence of best practice.
- Restricting access to the undertaking of procurement activities to officers who have the necessary pre-requisite training and authorisation.

Success will be measured by: monitoring levels of non-compliance with Council procurement rules and procedures as well as instances of formal legal challenge.

Enablers

To realise the Council's ambitions related to these strategic themes there are several cross-cutting 'enablers' that must be sufficiently recognised and supported as follows:



Partnership Working

The Council's philosophy to delivering successful outcomes through procurement activity is based on a 'one team' approach, bringing together Council departments and organisations as well as collaboration with local and regional partners. This is to ensure that service needs are recognised, visions and strategic priorities are understood, expert knowledge is shared, resources are used efficiently and culminate in the design and implementation of public services which meet the City's needs and expectations in the most effective and efficient way possible.

Internally this means engagement with all levels of the organisation from Councillors and senior managers to officers involved in administration and direct service delivery. This also includes officers who work for the Council's family of companies such as DELT Shared Services, CATERed and Plymouth Active Leisure.

Externally this means engagement with local partners through groups such as the Plymouth Buyers Network and regionally through groups such as the Devon and Cornwall Procurement Partnership and Southwest Procurement Board.

The Council must ensure that it encourages these internal and external stakeholders to actively engage with the Council's procurement teams and make connections at the earliest opportunity.



Developing Talent

A Council's ability to ensure taxpayers money is spent effectively and efficiently and address commercial challenges and issues of value is predicated on the talent management, recruitment, and retention of Procurement professionals.

In recognition of this the Council has two dedicated professional procurement teams. These teams are set up based on the categories outlined above and structured to encourage the development of technical procurement knowledge and category expertise, professional empowerment, diversity, a safe space for peer challenge and support and job satisfaction.

The full range of professional qualifications available under the Chartered Institute of Procurement and Supply are offered to procurement officers along with opportunities for continual professional development.

The value which Procurement professionals bring to an organisation cannot be underestimated and the Council needs to ensure a sufficient level of appreciation and support is maintained.

Digital Transformation

Data is the cornerstone of Category Management and access to and rapid analysis of data, particularly spend data, is critical for understanding how to manage procurements and contracts. The Council needs to ensure that appropriate digital systems and processes are in place to gather sufficiently transparent and granular data which will enable procurement officers to gain the insights necessary to make the best professional recommendations.

Consideration must also be given to how technology can be embraced to drive procurement efficiencies for the benefit of all stakeholders. Such opportunities include: the digitalisation of processes and forms for increased accuracy and consistency, implementation of intelligent automation to reduce the level of and time taken for data processing, use of cyber security software for safer confidential and commercial communication and making it easier for suppliers to do business with the Council.

Digital transformation will be particularly important considering the significantly increased publication and transparency demands which will be made on contracting authorities under the new Regulations.

Contract and Supplier Relationship Management

The effective management of contracts and maintaining appropriate relationships with suppliers is vital to the successful delivery of public services by ensuring that costs are controlled, the quality and timeliness of agreed outcomes and performance levels are met, and the occurrence of risks are minimised.

Good contract and relationship management also looks to go beyond the basic delivery of a contract and work with the supplier(s) to make continuous improvements whether that be through efficiencies and cost reductions, increasing the quality of outputs/outcomes, generating additional social value, or exploring innovation.

Contracts held by the Council are owned and managed within service departments rather than by the Procurement teams which makes visibility of the extent to which contract or supplier relationship management elements of a procurement strategy are delivered, difficult. The Council must support the development of a corporate contract management framework which all contract managers will be expected to adhere to.

In accordance with category management principles this framework should take a segmentation-based approach to managing contracts and supplier relationships considering factors such as the subject matter, value, complexity and importance of the contract to the Council in achieving its ambitions as well as the level of competition in the relevant supply market, the supplier's market power and wider general political, financial, legal opportunities and threats.

Risk Management

The Council's procurement activity is diverse ranging from low value, low risk transactional purchases right up to multi-million-pound complex strategic partnership arrangements across seven unique categories. This diversity means it is not appropriate to take a 'one size fits all' approach to procurement, instead decisions must be made on a requirement-by-requirement basis taking into consideration relevant information on a proportionate basis. This naturally places risk management at the heart of procurement activity by putting expectations on officers to identify and assess internal strengths and weaknesses and external threats and opportunities to determine the procurement sourcing strategy that will deliver the best outcome, whatever that looks like for a given requirement. This includes putting in place risk mitigations where necessary.

Risk management is embedded into every stage of the procurement cycle and the Council's procurement processes and internal governance procedures as set out in Contract Standing Orders embed a risk-based approach to decision-making. In alignment with the Procurement Regulations and the Council's approach to other decisions this risk-based approach takes contract value as the primary consideration however it also recognises the importance of other factors as part of procurement due diligence.

A key part of the Council's approach to risk management is through engagement with subject matter experts. In accordance with the Council's 'one team' procurement philosophy subject matter experts within the Council including but not limited to, Procurement, Health and Safety, Finance, Legal Services, and Democratic Support should be engaged throughout the procurement lifecycle to provide advice and guidance on any risks and mitigations relevant to their area of expertise where it is appropriate to do-so. Any gaps in the Council's internal expertise must be identified and plans for the appropriate mitigation of any associated risks put in place.

The Council must continue to maintain such a strong focus on risk management when undertaking procurement activity to ensure the above strategic themes are achieved.

Governance

The delivery of this strategy will be overseen by the Head of Procurement.

Action Plan

In order to ensure the successful delivery of this strategy a supporting 'Procurement Strategy Action Plan' will be developed by Quarter 3 of 24/25.

The action plan will be refreshed annually by the Head of Procurement in consultation with the Cabinet Member who holds responsibility for Procurement.

The action plan will set out:

- Whether strategy commitments are 'business as usual' or require specific actions to delivered within the period,
- Details of specific actions to be delivered within the period,
- Action owners,
- Action timescales,
- Any specific targets and /or trends to be aimed for within the period as part of the measures of success.

Monitoring

Where specific targets and/or trends are set these will be monitored on a monthly basis.

Where procurement actions form part of wider corporate action plans, these will be monitored as part of the governance of the wider plans.

The Council will also respond to the *LGA's National Procurement Strategy for Local Government in England* benchmarking process when invited to do-so to:

- Compare our progress from previous benchmarking exercises,
- Understand our maturity against other local authorities nationally,
- Understand our maturity against other local authorities regionally,

The results of this benchmarking activity will be used to identify areas of success and areas for further improvement.

Reporting

Delivery against the strategy will be reported to the Corporate Management Team and the Cabinet Member who holds responsibility for Procurement on a six-monthly basis.

Where procurement actions form part of wider corporate action plans the latest official update as reported on the wider plans will be referenced.

Where an LGA benchmarking exercise has been undertaken, this will also be included as part of the report.

Reference Material

- National Procurement Policy Statement- National Procurement Policy Statement - GOV.UK (www.gov.uk)
- The Local Government Association's National Procurement Strategy for Local Government in England 2022- National Procurement Strategy for Local Government in England 2022 | Local Government Association
- The Plymouth Plan- Approved Plymouth Plan | PLYMOUTH.GOV.UK
- The Corporate Plan- Corporate Plan | PLYMOUTH.GOV.UK
- The Council's Net Zero Action Plan- Net Zero Action Plan | PLYMOUTH.GOV.UK
- The Council's Equality and Diversity Action Plan- Our commitment to equality and diversity - report | PLYMOUTH.GOV.UK
- The Council's Modern Slavery Policy- Modern Slavery Policy | PLYMOUTH.GOV.UK
- Contract Standing Orders- DOCUMENT TITLE (plymouth.gov.uk)
- Social Value Policy- Social Value Policy_Final.v2 - 30.09.19.pdf (plymouth.gov.uk)

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Audit and Governance Committee

Date of meeting:	23 July 2024
Title of Report:	**Risk Management Monitoring Report – July 2024**
Lead Strategic Director:	David Northey, Section 151 Officer (Service director for Finance)
Author:	Ross Jago, Head of Governance Performance and Risk
Contact Email:	Ross.jago@plymouth.gov.uk
Your Reference:	RS/RMJul24
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

The attached report provides an update on the Strategic risk register for the organisation. The interactive Risk dashboard is available at this link (n.b. Changes are made in real time and therefore may differ to this Q4 report).

A new risk management process for organisational risk was implemented in January. The new process was subject to a "lunch and learn" in January and is supported through our Risk Management Pages on the staff intranet.

Since the launch of the risk management pages they have been reviewed by 252 unique users accessing the pages 653 times over the period (27/01/2024- 24/04/2024). This could be seen to represent a significant increase in engagement in the risk management process.

The implementation of the Risk App has had an impact on the flow of updates and new risks being recorded on the register.

The new process is beginning to yield results and discussions concerning the possible utilisation of similar tools for service level risks are underway.

Strategic Risks

There are currently 57 risks in total on the Organisational Risk Register. Of the 57 risks 26 are strategic and 31 are operational. All risks have been updated during the quarter.

Since the last reporting period one strategic risk has been removed from the register. The risk removed concerned the accounting treatment of the 2019/20 pension transaction following the "minded to" confirmation of a capitalisation direction from Government.

There have been ten strategic risks added to the register during the quarter these are –

- Impact on the Civil Protection Service delivering statutory 'must do' activities and functions and responding to emergencies.
- Adult Social Care - funding for National Living Wage increase
- Commissioned providers - workforce recruitment and retention

- Manual Handling Organisation Wide
- Implementation of Evotix Assure Health and Safety System
- Mental Health and Wellbeing
- Fire Safety Management
- Violence and Aggression
- Major projects - capacity and cost inflation
- Protect Duty across PCC

Risk description, ranking and scores are detailed at appendix 1

- **Cyber-attack (Strategic)** – Despite the ongoing and significant mitigation, Government advice is to maintain oversight of risk at the corporate level and maintain a higher level of risk score to reflect that the probability of the risk cannot be fully mitigated against.
- **Failure to reduce health inequalities (Strategic) –** The risk score has been maintained at high. Despite the ongoing Council actions to address this risk the strength of external factors beyond the Councils control means that the risk is unlikely to be further mitigated at this time.
- **Councils expenditure exceeds the resources available (Strategic**)- This risk has had its overall probability reduced due following review and publication of a new medium financial strategy, but remains at a high level. Ongoing review of the situation through the established system of financial reporting is the main mitigation currently underway.
- **Increased and sustained pressure on Adult Social Care budget (Strategic)-** The risk score has been maintained at high. Mitigation includes re-procurement of services to increase efficiency and number of management actions being undertaken with partners at Livewell Southwest.

Recommendations and Reasons

The Audit and Governance Committee is recommended to note the current position with regard to the Strategic Risk Register.

Reason: As part of the Committee's responsibility for monitoring the implementation and ongoing processes for identifying and managing key risks of the authority.

Alternative options considered and rejected
Effective risk management processes are an essential element of internal control and as such are an important element of good corporate governance. For this reason alternative options are not applicable.

Relevance to the Corporate Plan and/or the Plymouth Plan
The Strategic Risk and Opportunity Register includes links to the Corporate Plan priorities – monitoring of control action for strategic risks therefore contributes to the delivery of the council's core objectives.

Implications for the Medium Term Financial Plan and Resource Implications:
None arising specifically from this report but control measures identified in Directorate Operational Risk and Opportunity Registers could have financial or resource implications.

Financial Risks
None arising specifically from this report, but control measures identified in Directorate Operational Risk and Opportunity Registers could have financial or resource implications.

Carbon Footprint (Environmental) Implications:
Failure to deliver against actions in the Climate Emergency Action Plan and Corporate Carbon Reduction Plan are included on risk registers.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:
** When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*
The risk registers specifically supports the council's overall governance arrangements.

Appendices
**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) *If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.*						
		1	2	3	4	5	6	7
A	Strategic Risk Register							

Background papers:
**Add rows as required to box below*

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

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

Sign off:

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Originating Senior Leadership Team member: David Northey

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

Date agreed: 04/06/2024

Directorate	Risk Type	Category	Title	Which Corporate Priority does this risk primarily relate to?	Risk Description	Existing Key Controls	Q3 23.24 Post-Mitigation Probability Update Score	Q3 23.24 Post-Mitigation Impact Update Score	Overall Risk Score (Q3)	Mitigation	Q4 23.24 Post-Mitigation Probability Update Score	Q4 23.24 Post-Mitigation Impact Update Score	Overall Risk Score Q4	Does this risk impact our partners?	Which Partners?	Is this risk being managed in collaboration with another directorate?	Which Directorate is this being managed with?
Resources Directorate	Strategic	Operational/Service Delivery	Cyber-attack	Providing quality public services	A Cyber-attack renders all of the Council's IT inaccessible for an extended period of time therefore impacting on the Councils ability to deliver services.	IT Security Policy current and adhered to Business Continuity plans tested and fit for purpose IT Infrastructure patched to current levels All IT providers assessed regularly All connected partners / Suppliers assessed and accredited	5	5	**25**	Cyber Security Briefings now part of CMT quarterly reports. DELT Cyber Security plan now developed for CMT sign off. The council has undertaken significant action to mitigate against cyberattacks, however the threat remains constant as such the probability of attack remains high.	5	4	**20**	FALSE		TRUE	All Directorates
People	Strategic	Financial	Increased and sustained pressure on Adult Social Care budget	Working with the NHS to provide better access to health, care and dentistry	The escalating and sustained strain on the Adult Social Care budget, driven by rising care costs, hospital flow challenges, and a growing population with complex needs, poses a risk of failing to meet statutory service obligations.	Real time management information Strong Reablement Offer Established Review Programme Commissioning Strategies / Intentions and Commissioning Activity to further develop models of care.	4	4	**16**	Strengthen Scheme of Delegation and management actions focused on practice with our key Partner Livewell South West Increase focus on Practice and outcomes Continued work with health partners to increase numbers discharged from Hospital to the "Home first" pathway Design of appropriate workforce development plans providing care workforce sufficient and skills 1-2 year mitigations Dom Care zoning approach included in procurement aimed to increase efficiency and reduce waste and intermediate care growth to include front door.	4	4	**16**	TRUE		TRUE	Resources
Office of the Director of Public Health	Strategic	Operational/Service Delivery	Failure to reduce Health Inequalities	Focusing on prevention and early intervention	Failure to reduce Health Inequalities will mean our poorest residents continue to live shorter lives as well as more years in ill health.	The Thrive Plymouth framework Plymouth Plan and Integrated Commissioning Strategies	4	4	**16**	Significant council actions are underway to address Health Inequalities. This has included the recent cost of living programme and ongoing work around reducing barriers to opportunity. The strength of external factors (Cost of Living Crisis etc) which are beyond the Councils control mean that this risk is unlikely to be further mitigated.	4	4	**16**	TRUE	Health / NHS Services		
Resources Directorate	Strategic	Financial	Council's expenditure exceeds the resources available	Spending money wisely	The Council's expenditure exceeds the resources available to meet that expenditure within the medium term financial plan period (2022/23-2025/26).	System of monthly financial reporting to DMT's, CMT, and Cabinet and Quarterly to Full Council. In addition the Council has introduced a system of detailed monitoring of they delivery of savings targets so that a view is published monthly in Cabinet reports. The Council has annual and ongoing programmes of work to identify and understand potential savings opportunities. The governance system of the Council comprise a rigorous system of financial control.	4	4	**16**	System of monthly financial reporting to DMT's, CMT, and Cabinet and Quarterly to Full Council, with monthly consideration of directorate level financial issues at each Scrutiny Committee. In addition the Council has introduced a system of detailed monitoring of they delivery of savings targets so that a view is published monthly in Cabinet reports. The Council also holds an annual review of fees and charges and has annual and ongoing programmes of work to identify and understand potential savings opportunities. The governance system of the Council - as unpacked in the Annual Governance Statement comprise a rigorous system of financial control. A balanced budget for 2024/25 is still reliant on the Outturn for 2023/24 currently showing +£1.2m gap	4	4	**16**	FALSE		TRUE	All Directorates
Place	Strategic	Compliance, Regulation and Safeguarding	Carbon reduction targets	Fewer potholes, cleaner, greener streets and transport	Risk of the City Council failing to meet its carbon reduction targets to reach net zero by 2030.	A governance structure is in place to ensure that the city and council's climate emergency objectives are led, managed and delivered.	3	4	**12**	A 3-year City Council Net Zero Action Plan (NZAP) is rolled forward on an annual basis. This focuses on things in direct control of the City Council and the influencing actions of the Council in support the Net Zero agenda. The Growth and Infrastructure Overview Committee is engaged in the development and monitoring of the NZAP, and the NZAP is endorsed and supported annually by the City Council. Annual monitoring of PCC corporate emissions is undertaken to keep track of progress and to identify specific areas of focus for driving down emissions.	4	3	**12**	FALSE		TRUE	All Directorates
Resources Directorate	Strategic	People & Culture	Insufficient statutory senior leadership capacity	Empowering and Engaging our staff	The Council having insufficient statutory senior leadership capacity and resilience to deliver the required to meet statutory obligations.	Develop a peer-support network of leaders Develop our managers through Chartered Management Programmes	3	4	**12**	Recruitment for Senior Manager Appointments are underway through appropriate executive search / recruitment agencies. Permanent appointments made to Strategic Director Children's, SD EPS, SD HR-OD, extension to 151 arrangements to March 2025. COAP campaigns just started for Strategic Director Adults, Service Director Integrated Commissioning, Director of Public Health, Service Director CYPFS, Head of Finance	3	4	**12**	FALSE			
People	Strategic	Operational/Service Delivery	Homelessness	Keeping children, adults and communities safe	There is a significant demand for homelessness services, leading to pressure on service delivery and statutory targets with additional significant budget implications. Realisation of risk will lead to significant negative impact upon individuals, families and communities in Plymouth.	The Homelessness Delivery Plan 2020 - 2025 which encompassed all work within Homelessness services in the city. Demand has now risen over and above the planned demand as articulated in the strategy.	3	4	**12**	Homelessness Recovery Plan has been developed. Housing Task Force providing strategic leadership and is driving the recovery plan this includes representation from across the council to ensure that the organisational has the appropriate focus on this priority areas - This is led by the Relevant Cabinet Member and the Chief Executive. The Homelessness Recovery Board is managing / delivering operational elements of the recovery plan, and reports onto the Taskforce.	3	4	**12**	TRUE		TRUE	

Office of the Director of Public Health	Strategic	Operational/Service Delivery	Pandemic or high impact disease outbreak	Keeping children, adults and communities safe	Pandemic or high impact outbreak of infectious disease including new variant of COVID infection with no or limited population immunity or available control measures. With worldwide changes to climate, movement of people, poor environment, overcrowding, modern social living patterns, health related pathogens are more likely to be encountered and spread globally rapidly. Includes accidental or deliberate release of a novel pathogen.	UKHSA disease surveillance and early warning system including local participation in disease surveillance and reporting schemes e.g. NOIDS and Port health / UKHSA case responses/ planning exercises; COVID19 and flu seasonal vaccination programme/ Corporate emergency response plans / business continuity plans / regular meetings ODPH and UKHSA	3	5	**15**	Incident response and recovery plans, and business continuity plans, which are flexible, up to date and have incorporated key learning from covid, and are tested regularly. Ongoing COVID 19 vaccination programmes. These mitigations are required but with significant uncertainty over the nature of the pandemic, these may not be sufficient to lower impact considerably but do support preparedness	3	4	**12**	TRUE	Health / NHS Services		
Childrens' Services	Strategic	Compliance, Regulation and Safeguarding	Failure to meet statutory duties	Keeping children, adults and communities safe	Failure to meet statutory duties due to growing volume and complexity of demand for children's social care services	Trend analysis informing projections about the numbers of children coming into care to monitor activity. Regular scrutiny via lead member for children and finance.	3	3	**9**	Regular review of demand and capacity. Additional Social Workers recruited to support Children and Families. Focus on reduction of overall demand through Early Intervention and Prevention. Risk regularly considered as part of Corporate Management Team discussions. Referrals increase in months 10 and 11 of Q4 but reduced significantly in month12.	3	3	**9**	TRUE	Health / NHS Services	TRUE	Executive Office
Place	Strategic	Development and Regeneration	Insufficient economic performance	Green investment, jobs, skills and better education	Insufficient economic performance to sustain the City's economy and growth plans.	Account management of our key businesses will help early identification of risks. Labour market remains very tight and we are working closely with people directorate to support the skills launch pad. The freeport has been launched and is now live. The defence sector and HM Naval Base has significant construction plans we are working closely with government and Homes England to position Plymouth for additional investment and help attract new people/workforce to the City. Shared Prosperity Funding is targeted at support for Port development, City Centre and Skills. In addition we are still facing the longer term impact of inflation, higher levels on interest rates and Covid debt repayment. The combined effect of which is to reduce the level of capital available for new in vestment in both the public and private sectors.	4	4	**16**	Seeking to maximise all opportunities to secure additional funding for economic initiatives including focussing on creating new jobs in the Blue and green economy. The initiatives include: The Plymouth and South Devon Freeport, National Marine Park, large scale defence investment, £1bn development pipeline and over £100m of grant funding. We will continue to maximise all funding opportunities for our city region. We also have a strong economic monitoring function and well developed strategic economic partnership to monitor and oversee our interventions and impact.	3	3	**9**	FALSE	Business Community		
Place	Strategic	Development and Regeneration	Housing Delivery	Build more homes – for social rent and affordable ownership	Risk of failing to deliver the range of housing to meet Plymouth's need	Driving progress on previous Plan for Homes site releases to seek accelerated construction of new homes, progress regularly reviewed with Portfolio Holder. Sites identified in the JLP 5 year land supply regularly reviewed to consider what actions might bring forward sites currently in years 6 and 7 into 5 year supply. Delivery Strategy for JLP sites, with options identified for potential intervention	3	3	**9**	On track to meet the Plymouth Local Planning Authority (LPA) area target set out in the Joint Local Plan. Monitoring development activity in the construction sector to understand the effect of housing market disruption caused by a multiple factors Managing 5 year land supply position to ensure that decisions on sites are taken using a balanced and objective assessment of market conditions. Launched Plan for Homes 4 in March 24 to provide the framework for future housing delivery initiatives to deliver the ambition of a minimum of 5,000 homes over the next five	3	3	**9**	FALSE			
Resources Directorate	Strategic	Operational/Service Delivery	IT supply chain constraints	Providing quality public services	IT supply chain constraints results in increased costs and extended lead times for equipment.	Regular IT Budget monitoring Regular Delt engagement Procurement liaison Business Continuity plans tested and fit for purpose ICT Review Group Other project and programme boards	5	4	**20**	PCC to pre plan as far ahead as possible on any purchases of technical goods or services, notifying Delt during the planning phase of such work. Delt engagement with current suppliers and escalation of any changes to current prices / lead times.	3	3	**9**	FALSE		TRUE	All Directorates
Resources Directorate	Strategic	Compliance, Regulation and Safeguarding	Insufficient workforce	Providing quality public services	The Council having insufficient workforce capacity and resilience to deliver the required range of services to meet statutory obligations and administration priorities	Workforce data. Employee Assistance Programme. Organisational Restructure toolkit.	3	4	**12**	Targeted support for Children Services – resourcing and capacity / Introduction of new assistant social worker positions Review of People Strategy for 2024 Presented proposals to SLT in relation to Recruitment and retention strategy. These will now be developed and implemented as appropriate. Improving induction processes. Recruitment sprint project completed, moving to 2nd phase Recruitment Manager Appointed Collaborative work wtih ADEPT on national campaign for Place recruitment Extension of apprenticeships	3	3	**9**	FALSE		TRUE	Resources

Resources Directorate	Strategic	Compliance, Regulation and Safeguarding	Keeping data secure	Providing quality public services	The Council not meeting its obligation to keep data secure by failing to adhere to Data Protection Act 2018 Regulations results in loss of trust in the Council and/or financial penalty from the Information Commissioner's Office (ICO)	Annual IT Health Check Vulnerability scan IT Infrastructure patching policy ICO Action Plan Information Audit Staff workshops GDPR	5	3	**15**	Continued roll out staff awareness training to all staff. Implement greater reporting consistency within directorates. Implement improved incident analysis within the Service Desk. Improved contract management with partners. Improve Privacy notice templates and ensure all gaps are addressed Standardised breach management processes distributed to key staff. Reviewed policies to be communicated to all staff	3	3	**9**	FALSE		TRUE	All Directorates
Place	Strategic	Financial	Major projects - capacity and cost inflation	Green investment, jobs, skills and better education	The Economic Development team has a pipeline of £1bn of major projects with over £100m of grant funding to be spent by 2026. This included major programmes such as the Freeport, National Marine Park and latterly the onboarding of the Civic Centre. This is a major endeavour which needs additional project management capacity. In addition all of these projects have inflationary cost pressures combined with a contractor market	All projects have strong governance models using Prince 2 methodology with identified SRO, Project Dir and Programme manager. All political decisions clearly flag risk and there is monthly reporting on all projects There however remains a significant programme risk linke to grant funding deadlines of Mark 25 and March 26.	3	3	**9**	We have secured additional project management capacity for the NMP, Freeport and Civic Centre. These costs are added to overall project costs .We have also increased contingency where possible to allow for the current contractor market instability. We have liased with funding bodies such as DLUC and Homes England to ensure that the programme and inflationary risks are shared.	3	3	**9**	TRUE	Central Government		
People	Strategic	Operational/Service Delivery	Adult Social Care (ASC) Reforms	Spending money wisely	There are a number of reforms to ASC that have created significant financial uncertainty in terms of being able to accurately understand the cost, volume and funding that will be made available to deliver the requirements of these reforms.	National and regional groups including Local Government Association and ADASS ASC reform programmes established Fair cost of care exercise to better understand position Departmental and directorate management teams	2	1	**2**	Continued uncertainty over much needed reform increases risks of sustainability over time. We will continue to advocate for the need for reform along with the key issues and solutions we feel reform will need to address/can offer through regional ADASS and LGA bodies and the Offers and Asks of our directorate.	3	2	**6**	FALSE		TRUE	Executive Office
People	Strategic	Operational/Service Delivery	Adult Social Care - funding for National Living Wage increase	Keeping children, adults and communities safe	Risk of adult placement providers withdrawing services or seeking to place with other local authorities if the cost of meeting the increase to the National Living Wage is not met.	Budget planning in hand to ensure that the cost of the increase is covered.	2	2	**4**	Regular provider forums, newsletter and communications. Contract managers are available for any providers experiencing financial issues to be able to have a more in depth discussion. Benchmarking with other local authorities as part of regional groups. Providers have generally accepted the proposed uplifts for 2024/25 and been understanding of our financial and funding position. We will continue to have individual conversations where this has not been accepted.	2	3	**6**	TRUE	Voluntary and Community Sector	TRUE	Resources
People	Strategic	Operational/Service Delivery	Lack of adult social care workforce	Keeping children, adults and communities safe	Lack of adult social care workforce and growing fragility of Adult Social Care Market leading to inability of Authority to meet statutory duties and meet eligible need.	Real time management information Provider Contingency Plans and Mutual Aid Protocol Activity Dialogue with Care Market Enhanced risk management process around individual client list.	4	5	**20**	There has been some return to stability in the ASC Market workforce, although we would want to see another quater of good performance before we consider risk reductions.	2	2	**4**	FALSE		TRUE	Resources

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Audit and Governance Committee – Tracking Decisions 2024/25

Minute No.	Resolution	Date Due & Progress
Minute 4 **Chair's Urgent Business** 25 July 2023	The Committee agreed that officers should consult with Southampton City Council regarding the Electoral Cycle Consultation and Electoral Review and that the consultation is submitted to the Audit and Governance Committee prior to submission to Full Council.	**Date Due:** September 2023 **Progress:** Complete January 2024.
Minute 42 **Risk Management Monitoring Report November 2023** 28 November 2023	A SharePoint page would be created for members of the Committee, to see risk management information in near real time.	**Date Due:** January 2024 **Officer Responsible:** Ross Jago **Progress:** Request formally made 1 December 2023. Chased 26 March 2024, 23 April 2024, 12 July 2024.
Minute 49 **Constitutional Review Update** 16 January 2024	1. Recommend the Amended Part E and Petition Scheme/Guidance to City Council for approval; 2. Recommend the New Rule of Debate and Standards Committee terms of reference to City Council for approval; 3. Adjust the quorum for Audit and Governance Committee to four members;	**Date Due:** 29 January 2024 **Officer Responsible:** Ross Jago **Progress:** Complete.

Audit and Governance Committee – Tracking Decisions 2024/25

Minute 50 **2019/20 Audit Update** 16 January 2024	When a decision was reached with DLUHC, members of the Committee would be made aware.	**Date Due:** Expected before end of February 2024. **Officer Responsible:** David Northey **Progress:** Complete. Press release shared with all Councillors before it was released.
Minute 52 **Electoral Cycle Consultation Arrangements** 16 January 2024	That a consultation exercise on the Council's electoral cycle was undertaken to run concurrently with Local Government Boundary Commission for England proposals for revised ward names, numbers and boundaries between July and September 2024.	**Date Due:** July 2024 **Officer Responsible:** Giles Perritt **Progress:** Complete. Item on agenda for July 2024 meeting.
Minute 59 **External Audit – Audit Findings Report 2020/21** 12 March 2024	To provide a break down of the 'Grants Income Recognition and Presentation' totalling £313.5m and how much was capital and revenue, and how much was provided to outside organisations, and how much was for COVID19 support.	**Date Due:** 27 March 2024 **Officer Responsible:** David Northey **Progress**: Complete. Formal request sent 13 March 2024. Response shared with Members via email on 26 March 2024.
Minute 59 **External Audit – Audit Findings Report 2020/21** 12 March 2024	There would be an independent review into the pension transaction from October 2019 and as soon as there was information on when the review was to take place, and what its scope would be, David Northey would let members of the Committee know, as well as any other relevant members.	**Date Due:** On hold. **Officer Responsible:** David Northey **Progress**: Formal request sent 13 March 2024. No update as of 20 March 2024 as to when the review might take place.

Audit and Governance Committee – Tracking Decisions 2024/25

Minute 60 **Whistleblowing Policy** 12 March 2024	Ross Jago (Head of Governance, Performance and Risk) agreed to provide members with an explanation as to why Councillors, agency workers and contractors were exempt from the Whistleblowing Policy.	**Date Due:** 27 March 2024 **Officer Responsible:** Ross Jago **Progress**: Formal request sent 13 March 2024. Chased 26 March 2024, 23 April 2024, 12 July 2024.
Minute 60 **Whistleblowing Policy** 12 March 2024	It was suggested that Section 3.4 be considered for re-wording, as it put too much pressure on people to put their name to a whistleblowing report.	**Date Due:** 27 March 2024 **Officer Responsible:** Ross Jago **Progress**: Formal request sent 13 March 2024. Chased 26 March 2024, 23 April 2024, 12 July 2024.
Minute 60 **Whistleblowing Policy** 12 March 2024	Section 2.2 did not include inappropriate behaviour, so Ross Jago (Head of Governance, Performance and Risk) agreed to provide information to members on how this would be dealt with through existing HR policies, or if it needed to be included in the Whistleblowing Policy.	**Date Due:** 27 March 2024 **Officer Responsible:** Ross Jago **Progress**: Formal request sent 13 March 2024. Chased 26 March 2024, 23 April 2024, 12 July 2024.
Minute 60 **Whistleblowing Policy** 12 March 2024	It was suggested that Section 6.1 a should be changed to 'any Councillor'.	**Date Due:** 27 March 2024 **Officer Responsible:** Ross Jago **Progress**: Formal request sent 13 March 2024. Chased 26 March 2024, 23 April 2024, 12 July 2024.

Audit and Governance Committee – Tracking Decisions 2024/25

Minute 60 **Whistleblowing Policy** 12 March 2024	It was suggested that 'MP's' be included in Section 6.1.	**Date Due:** 27 March 2024 **Officer Responsible:** Ross Jago **Progress**: Formal request sent 13 March 2024. Chased 26 March 2024, 23 April 2024, 12 July 2024.
Minute 60 **Whistleblowing Policy** 12 March 2024	Ross Jago (Head of Governance, Performance and Risk) agreed to provide information to the Committee on process if the Service Director was the subject of a Whistleblowing issue.	**Date Due:** 27 March 2024 **Officer Responsible:** Ross Jago **Progress**: Formal request sent 13 March 2024. Chased 26 March 2024, 23 April 2024, 12 July 2024.
Minute 63 **Risk Management Monitoring Report – March 2024** 12 March 2024	Self-evaluation survey would be circulated to members.	**Date Due:** 27 March 2024 **Officer Responsible:** Ross Jago **Progress**: Complete. Sent to members via email on 12 March 2024.
Minute 64 **Polling Districts, Place and Stations Review 2023** 12 March 2024	Officers would confirm if High Street Primary School would be a polling station for May 2024.	**Date Due:** 27 March 2024 **Officer Responsible:** Maddie Halifax **Progress**: Complete. Response shared with members of the Committee on 27 March 2024.

Audit and Governance Committee

Work Programme 2024/25

Please note that the work programme is a 'live' document and subject to change at short notice. The information in this work programme is intended to be of strategic relevance.

For general enquiries relating to the Council's Committees, including this Committee's work programme, please contact Hannah Whiting (Democratic Advisor) on 01752 305155.

Date of Meeting	Agenda Item	Reason for Consideration	Lead Officer
23 July 2024	Role of an Audit Member	Standing Item (Verbal Report)	Paul Dossett
	External Audit Report – Progress Report/Plan 2023/24		Paul Dossett
	External Audit Report – 2020/21 Audit findings report		Paul Dossett
	Management Response to GT 2024 Actions including a revised Management Review and Action Plan addressing the CIPFA Financial Management Code		David Northey
	Update on Capitalisation	(Verbal Report)	David Northey
	Statement of Accounts 2019/20 Accounts and 2020/21 Accounts		Carolyn Haynes
	Draft Statement of Accounts 2023/24		Carolyn Haynes
	Contract Standing Orders		Holly Golden/Liz Bryant/Alison Critchfield
	Procurement Strategy		Holly Golden
	Treasury Management Outturn Report 2023/24		Wendy Eldridge
	Internal Audit Actions Review		Louise Clapton
	Internal Audit End of Year Report	Annual Report	Louise Clapton
	Internal Audit Strategy and Charter 2024/25	Annual Report	Louise Clapton
	Annual Information Governance Statement	Annual Report	John Finch
	Counter Fraud Annual Report	Annual Report	Ken Johnson
	Annual Governance Statement		Ross Jago
	Constitutional Update		Ross Jago
	Risk Management Monitoring Report		Ross Jago

	Electoral Cycle Consultation	Council Motion on Notice from 24/06/24	Ellie Firth
10 September 2024	External Audit Progress Report		Paul Dossett
	Internal Audit Progress Report		Louise Clapton
	Audit Actions Review		
	Capitalisation Direction Decision/Update		
	Health Safety and Wellbeing Annual Report 2023/24	Annual Report	Kirstie Spencer
	CIPFA Report		David Northey
	Capital Programme Governance		David Northey
	Committee Self-Assessment		David Northey/Ross Jago
	Performance and Accountability Framework		Ross Jago
19 November 2024	External Audit Progress Report		Paul Dossett
	Counter Fraud Half Year Report	Half Year Report	Ken Johnson
	Internal Half Year Report	Half Year Report	Louise Clapton
	Capital Finance Strategy	Annual Report	Wendy Eldridge
	Treasury Management Strategy	Annual Report	Wendy Eldridge
	Treasury Management Mid-Year Review	Annual Report	Wendy Eldridge
	Treasury Management Board Update	Update Report	Wendy Eldridge
	Quarterly Prudential Indicators	Quarterly Report	Wendy Eldridge
	Risk Management Monitoring Report		Ross Jago
	Electoral Cycle Consultation		Ellie Firth
14 January 2025			
11 March 2025	External Audit Progress Report		Paul Dossett
	External Audit – Audit Findings Report 2023/24		Paul Dossett
	Internal Audit Strategy and Charter 2025/26	Annual Report	Louise Clapton
	Internal Audit Plan 2024/25		Louise Clapton

	Whistleblowing Policy	Annual Review	TBC
	Treasury Management Practices Principles and Schedules 2025/26	Annual Item	Wendy Eldridge
	Quarterly Prudential Indicators	Quarterly Report	Wendy Eldridge
	Treasury Management Board Update	Update Report	Wendy Eldridge
	Risk Management Monitoring Report		Ross Jago
Items to be schedule for 2024/25			
2024/25	Regulatory Regimes	Identified for considerati on at the March 2024 meeting.	Ross Jago
Items to be scheduled for 2025/26			

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