

**Oversight and Governance**

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AUDIT AND GOVERNANCE COMMITTEE

Tuesday 12 November 2024
2.00 pm
Warspite Room, Council House

Members:

Councillor Allen, Chair
Councillor Finn, Vice Chair
Councillors Cuddihee, P.Nicholson, Raynsford and Stevens.
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. Apologies

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

2. Declarations of Interest

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

3. Minutes (Pages 1 - 6)

To confirm the minutes of the meeting held on 10 September 2024.

4. Chair's Urgent Business

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

5. Plymouth City Council Audit Plan 2023/24: (Pages 7 - 34)

6. Auditor's Annual Report (Interim Version) for the year ended 31 March 2024: (Pages 35 - 72)

7. Counter Fraud Half Year Report: (Pages 73 - 84)

8. Internal Audit Half Year Report 2024/25: (Pages 85 - 108)

9. Internal Audit Management Action Tracker Q2 2024/25: (Pages 109 - 118)

Exempt Business (Part II)

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 I of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

10. Internal Audit Management Action Tracker Q2 2024/25: (Pages 119 - 124)

Return to Agenda (Part I)

11. Treasury Management Mid-Year Report 2024/25: (Pages 125 - 146)

12. Treasury Management Strategy 2025/26: (Pages 147 - 182)

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| 13. Capital Financing Strategy 2025/26: | (Pages 183 - 194) |
| 14. Risk Management Monitoring Report: | (To Follow) |
| 15. Performance and Accountability Framework: | (To Follow) |
| 16. Committee Self-Assessment: | (Verbal Report) |
| 17. Council's Electoral Cycle Consultation: | (Pages 195 - 214) |
| 18. Tracking Decisions: | (Pages 215 - 218) |
| 19. Work Programme: | (Pages 219 - 222) |

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Audit and Governance Committee

Tuesday 10 September 2024

PRESENT:

Councillor Allen, in the Chair.

Councillor Finn, Vice Chair.

Councillors Cuddihee, Freeman (as substitute for Councillor Stevens) and Raynsford.

Apologies for absence: Councillor P. Nicholson, Councillor Stevens and Independent Member Mrs Benny.

Also in attendance: Liz Bryant (Head of Legal Services), Hannah Chandler-Whiting (Democratic Advisor), Ross Jago (Head of Governance, Performance and Risk), David Northey (Service Director for Finance), Kirstie Spencer (Head of Health and Safety), Chris Squire (Service Director for HR & OD), Louise Clapton (Audit Manager, Devon Audit Partnership), Paul Dossett (External Auditor, Grant Thornton(via Microsoft Teams)) and Joanne McCormick (Deputy Head of Partnership, Devon Audit Partnership).

The meeting started at 2.00 pm and finished at 3.00 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.

26. **Declarations of Interest**

No declarations of interest were made.

27. **Minutes**

The Committee agreed the minutes of the meeting held on 23 July 2024 as an accurate record.

28. **Chair's Urgent Business**

There were no items of Chair's urgent business.

29. **Update on External Audit Recommendations**

Paul Dossett (External Auditor, Grant Thornton) provided the following update:

- a) Grant Thornton were happy with the Council's management response and approach at dealing with issues;
- b) The new Government had confirmed a deadline of 13 December 2024 for all audits 2022/23 and earlier and 28 February 2025 for 2023/24 audits;

- c) The pensions transaction had been resolved for the 2019/20 audit, and 2020/21 was near complete following this;
- d) 2021/22 and 2022/23 accounts had been produced and would be backstopped under the statutory regulations, and Grant Thornton's conclusions would be brought to the November 2024 Committee meeting;
- e) The National Audit Office and other regulators were looking at the audit procedures that needed to be carried out on opening balances for 2023/24 following the backstop.

In response to questions, it was explained:

- f) The 2024/25 accounts backstop was in February 2026;
- g) There was flexibility in carrying forward a disclaimer on opening balances as it could be managed over more than one year, but Government would expect assurance on that position.

30. **Capitalisation Direction Update**

David Northey (Service Director for Finance introduced this item and highlighted the following points:

- a) He had made a commitment to update the Committee on this issue;
- b) The Government were minded to give a capitalisation direction, but it was still going through the process included an independent review and a general Chartered Institute of Public Finance and Accountancy (CIPFA) review of governance and sustainability, the latter of which had been completed;
- c) The report was with the Ministry of Housing Communities and Local Government (MHCLG) and an update had been requested, but he would keep the Committee up to date with any updates between meetings;
- d) Challenging with change of ministers following general election.

In response to questions, supported by Paul Dossett (External Auditor, Grant Thornton), it was further explained:

- e) Governance improvements had been suggested in a July 2021 report from Grant Thornton looking at the Santander and Capitalisation transactions, which had been actioned;
- f) The stance of the new Minister of State had not been confirmed, but the previous minister had been minded;
- g) There was no evidence to suggest anything inappropriate had taken place and there was a full audit trail for the money.

The Chair reminded Committee members of the importance of not being political.

31. **Internal Audit Progress Report**

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

- a) 60% of the audit plan had been started and was in progress and the report included all progress made since 1 April 2024;
- b) Of the reports that had been issued, 100% were in receipt of reasonable assurance or certified without amendment;
- c) One change had been made to the plan in agreement with Ross Jago (Head of Governance, Performance and Risk) with Performance Framework item replaced by an Audit of Plymouth City Council (PCC) Family of Companies;
- d) Would continually be discussed with relevant officers to ensure right items were being looked into.

The Committee agreed to note the report.

32. **Committee Self-Assessment**

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

- a) It was good practice for an Audit and Governance Committee to self-assess annually;
- b) There was a desire to increase the response rate from the self-assessment undertaken in the previous year;
- c) New advice and guidance had been released by CIPFA (Chartered Institute of Public Finance and Accountancy) on self-assessments.

David Northey (Service Director for Finance) added:

- d) Urged members of the Committee to take part in the self-assessment as it was an important piece of governance work.

In response to questions, the following was discussed:

- e) Substitutes on the Committee had not been included in the self-assessment previously but could be;
- f) Deadline for responses would be the end of November to report back to Audit in January 2025.

The Committee agreed that:

- I. The Audit and Governance Committee undertake CIPFA self-assessments for the 2024/25 municipal year between September and November 2024 to identify areas for improved effectiveness and support the development of the annual report to council.

33. **Health, Safety and Wellbeing Annual Report 2023/24**

Kirstie Spencer (Head of Health and Safety) introduced the report:

- a) The report was to be read in conjunction with the Health, Safety and Wellbeing Policy, which had been updated to be more explicit in terms of governance, assurance, roles and responsibilities.

Supported by Chris Squire (Service Director for HR & OD), in response to questions the following was discussed:

- b) A new policy on infection control was in development and would be published before the end of the year;
- c) Several health and safety standards had been commissioned and prioritised by risk;
- d) Control of contractors was a health and safety performance standard which detailed the management system around how contractors were sourced and monitored in terms of health and safety;
- e) RIDDORs (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) were a set of regulations that set out a range of incidents that the Health and Safety Executive required to be reported to them;
- f) Reporting incidents on time compliance was below the KPI performance standard that had been set;
 - i. To improve this, the team were ensuring all officers who were designated incident investigators were trained on the SHE-Assure reporting system and new officers could not become investigators without training;
 - ii. The importance of reporting incidents would be emphasised across the management structure;
 - iii. There was a Health and Safety Steering Group attended by senior managers;
 - iv. There were two training sessions mandatory for new managers, one online and one face-to-face;
- g) Health and Safety policies and procedures of contractors would be looked at before they were selected as a contractor, and if an incident occurred, the Council could choose to not use them again;
- h) There had been an emphasis on the importance of reporting violence and aggression, which was expected to be the reason why the reporting showed an increase;
- i) A new HR and payroll management system was being implemented and all information would be moved across;
- j) A list of Mental Health First Aiders was available on the Health and Safety SharePoint page.

The Committee agreed:

- I. To note the report and to communicate and role-model positive HSW performance and leadership and actively improve and maintain individual HSW competency.

34. **Family of Companies Governance Framework**

Liz Bryant (Head of Legal Services) introduced the report and highlighted:

- a) There were 20 companies within the PCC family of companies and the report set out proposals for implementing a governance framework;
- b) There was a need to ensure that the commercial interests of the companies were protected, but so were the interests of the Council;
- c) Her and David Northey (Service Director for Finance) would attend a Shareholder Committee or Committees but only to advise, only executive members would be able to vote;
- d) Needed to establish a group of shareholder representatives who could attend meetings on behalf of Councillors;
- e) Training for all those involved was important and a module would be developed that could be continually used.

In response to questions, the following was discussed:

- f) The Scrutiny function of the Council would scrutinise the work of the Shareholder Committee(s);
- g) Executive decisions were subject to call-in;
- h) Research had been done into the work of other Councils and CIPFA and the proposal was the amalgamation of best practice.

The Committee agreed to:

1. Recommend the establishment of a Shareholder Committee or Committees and who should sit on those committees; noting the Terms of Reference for the Committee at Appendix B;
2. Notes the establishment of a Shareholder Officer Group consisting of nominated Shareholder Representatives for each company who would meet at least twice annually or as required and would work to the draft Terms of Reference at Appendix C;
3. Recommend the implementation of a programme of training for Directors, Councillors and Shareholder Representatives the arrangements for which were delegated to the Monitoring

Officer;

4. Note that conflicts of interest were managed by ensuring that Directors were selected to avoid any conflict with the role they undertake on behalf of the Council, and the Conflicts of Interest Guidance at Appendix D was adopted to support this;
5. Recommend:
 - a. The Monitoring Officer add an appendix to the Constitution setting out the Governance Framework for the Family of Companies as per the draft at Appendix E of this report;
 - b. The Monitoring Officer in consultation with the Leader makes the amendments required to the Scheme of Delegation to ensure that executive decisions taken on behalf of the Council as shareholder were delegated to the Shareholder Committee or the Leader;
6. Recommend that Overview Scrutiny and Management Committees were engaged in the process of reviewing the Council's corporate interests. This should include annual overviews as well as the review of any decisions taken by the Shareholder Committee which have a material impact on the Council as shareholder.

35. **Tracking Decisions**

The Committee agreed to note its tracking decisions document.

36. **Work Programme**

The Committee agreed to note its work programme.

Plymouth City Council audit plan

Year ending 31 March 2024

Contents



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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 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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Key matters

National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities. We are aware of the current issues surrounding the pension fund transaction and that Ministry of Housing, Communities and Local Government (MHCLG) has, in principle, agreed to a capitalisation directive to cover the value of the transaction. We will continue to monitor this situation and update officers and Audit & Governance Committee when this has been finalised.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

The financial statements for 2021/22 and 2022/23 will have a disclaimed opinion to reflect that these will not be audited due to the delay in completion of prior year audits as a result of significant issues identified and subsequently resolved. This work has resulted in material adjustment to the 2019/20 and 2020/21 financial statements and as noted above further support being provided by MHCLG. This will allow the audit team to complete the 2023/24 audit in line with national timelines.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

Key matters - continued

Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Service Director for Finance.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Director of Finance quarterly, as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit and Governance Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness. Should the NAO revise the VFM code during 2023/24, these areas of focus may change and this line may need amending for different emphases.
- We will continue to provide you and your Audit and Governance Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit and Governance Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Key matters - continued



Our Responses (continued)

- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue – please refer to page 8.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Plymouth City Council ('the Council') for those charged with governance.

Respective responsibilities

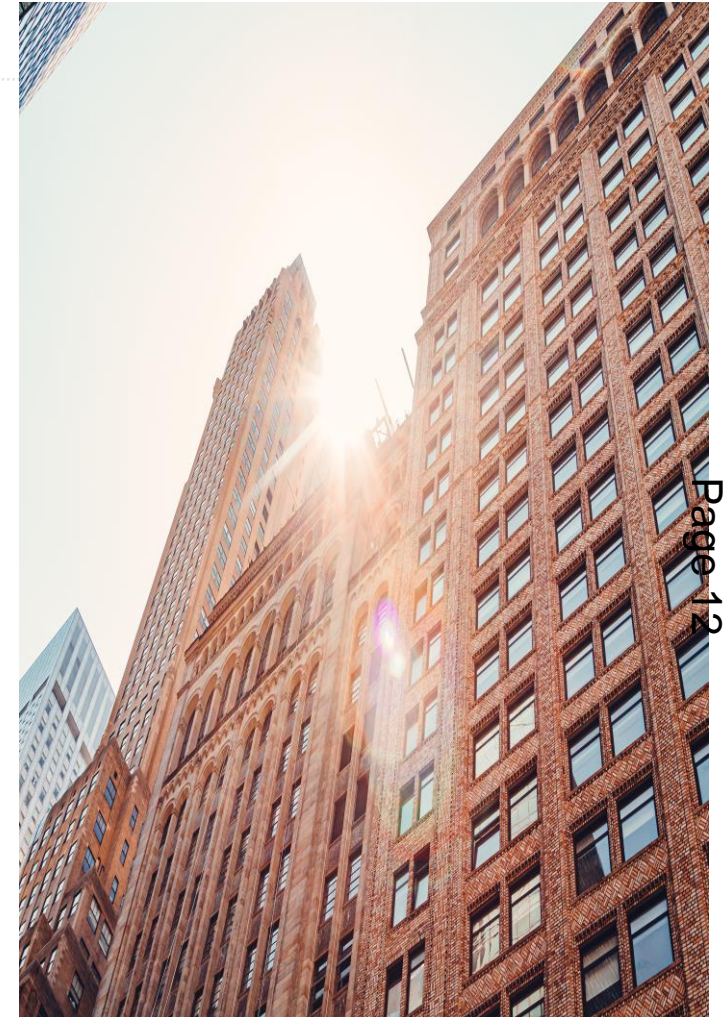
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO has updated the Code. This audit plan sets out the implications of the revised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

Scope of our audit

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

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

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



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- management override of controls;
- valuation of land and buildings;
- valuation of investment property; and
- valuation of the pension fund net liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £7,700k (2020/21 £8,200k) for the Council, which equates to 1.3% of your prior year gross operating costs. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £385k (2020/21 £400k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money is ongoing and we will report any identified risks of significant weakness in our update reports. In 2022/23 we identified the following significant weaknesses:

- financial sustainability and the achievement of savings programmes; and
- governance of and investment in children's services to meet Ofsted standards.

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

Audit logistics

Our planning work took place in February 2024 and we expect our final accounts audit will take place between September and December 2024. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our preference is for elements of our work to take place on site alongside your officers.

Our proposed fee for the audit will be £392,808, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

Significant risks identified

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.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (Rebutted for Council only)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none">- there is little incentive to manipulate revenue recognition;- opportunities to manipulate revenue recognition are very limited; and- The culture and ethical frameworks of local authorities, including Plymouth City Council, mean that all forms of fraud are seen as unacceptable.	We do not, therefore, consider this to be a significant risk for Plymouth City Council.
Risk of fraud related to expenditure recognition PAF Practice Note 10 (rebutted)	In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).	We do not, therefore, consider this to be a significant risk for Plymouth City Council.

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of land and buildings	<p>The Council 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.</p> <p>Where a rolling programme is used, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.</p> <p>We therefore identified valuation of land and buildings as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; • use an auditor's expert to critically evaluate the valuation instructions and report; • test revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluate 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.

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified - continued

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Investment Properties	<p>The Council revalue its investment property on an annual basis as required by the CIPFA Code. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£238m at 31/03/23) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of an external valuer to estimate the fair value as at 31 March 2024.</p> <p>We therefore identified valuation of investment property as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work, with the assistance of an auditor's expert; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuations were carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register.
Valuation of the pension fund net liability	<p>The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£27.5m at 31/03/23) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test 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; • undertake 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; and • obtain 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 and the fund assets valuation in the pension fund financial statements.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act; and/or
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £7.700m, which equates to 1.3% of your draft gross expenditure for the period.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> • establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; • assist in establishing the scope of our audit engagement and audit tests; • determine sample sizes; and • assist in evaluating the effect of known and likely misstatements in the financial statements.
2	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
3	<p>Other communications relating to materiality we will report to the Audit and Governance Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £400k. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.</p>

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.

Qualitative factors considered

Materiality for the financial statements	7,700,000	This is the equivalent to approximately 1.3% of the prior year gross expenditure of the Council. We have reduced this from 1.5% to recognise the two years of disclaimed opinions and the material adjustments made to the 2019/20 and 2020/21 financial statements
Performance Materiality	5,000,000	<p>We have determined performance materiality at 65% of headline materiality. Our rationale is as follows:</p> <ul style="list-style-type: none"> • We have reduced headline materiality to recognise errors and issues in prior years and note these are individual errors rather than an indication of pervasive control issues • We have identified a number of issues in relation to significant risk areas in prior year audits • Senior management and key reporting personnel in the finance function have remained stable from the prior year audit
Trivial Matters	385,000	Set at 5% of materiality



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e. IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Spend/Income	Planned level IT audit assessment
Civica Financials	Financial reporting	£256,872,000	<ul style="list-style-type: none"> ITGC design assessment – IT Audit have completed a detailed review of IT systems in 2022-23 and will complete a follow up of prior year work and findings in 2023-24
Academy	Council Tax, Business Rates, Benefits, Grants	£(55,296,000)	<ul style="list-style-type: none"> ITGC design assessment – IT Audit have completed a detailed review of IT systems in 2022-23 and will complete a follow up of prior year work and findings in 2023-24
Core HR	Payroll	£142,073,000	<ul style="list-style-type: none"> ITGC design assessment – IT Audit have completed a detailed review of IT systems in 2022-23 and will complete a follow up of prior year work and findings in 2023-24
Active Directory	Domain Controller	N/A	<ul style="list-style-type: none"> ITGC design assessment – IT Audit have completed a detailed review of IT systems in 2022-23 and will complete a follow up of prior year work and findings in 2023-24

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024.

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

At this stage, we have not identified any risks of significant weaknesses from our initial planning work. We will undertake more detailed planning work and continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor's annual report

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, 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.

Risks of significant VFM weaknesses - continued

The Audit Code sets out that the auditor’s work is likely to fall into three broad areas:

- planning;
- additional risk-based procedures and evaluation; and
- reporting.

We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. A key part of this is the consideration of prior year significant weaknesses and known areas of risk which is a key part of the risk assessment for 2023/24. We set out our reported assessment below:

Criteria	2022/23 Auditor judgement on arrangements informing our initial risk assessment		Additional risk-based procedures planned
Financial sustainability	Red	<ul style="list-style-type: none"> • Significant weakness in arrangements identified • One key recommendation made • Three improvement recommendation made 	We will follow up progress against the significant weakness and ensure that our work assesses the current arrangements in place.
Governance	Amber	No risks of significant weakness identified	We will undertake sufficient work to ensure that we have documented our understanding of the arrangements in place as required by the Code of Audit Practice.
Improving economy, efficiency and effectiveness	Red	<ul style="list-style-type: none"> • Significant weaknesses as continuing risk in the delivery of children’s services. • One key recommendation made; • One improvement recommendations made. 	We will follow up progress against the significant weakness and ensure that our work assesses the current arrangements in place.

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Audit logistics and team



Jackson Murray, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers



David Johnson, Audit Manager

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers



Aman Gandhi, Audit In charge

Key audit contact responsible for the day to day management and delivery of the audit work

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, and the Annual Governance Statement;
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you;
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing;
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit; and
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Plymouth City Council to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £375,258.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only);
- production of the draft audit planning report to Audited Body;
- 50% of planned hours of an audit have been completed; and
- 75% of planned hours of an audit have been completed.

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

Assumptions

In setting these fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit;
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements;
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements; and
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

	Proposed fee 2023/24
Plymouth City Council audit scale fee	£375,258
ISA 315 (estimate)	£15,690
Auditor's Expert – PPE and Investment Property Valuations (estimate)	£5,000
Total audit fees (excluding VAT)	£395,948

Previous year

If the opinion on the 2022/23 (and 2021/22) audit is disclaimed due to the imposition of a backstop date, we may need to undertake further audit work in respect of opening balances. We will discuss the practical implications of this with you should this circumstance arise.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

IFRS 16 ‘Leases’ and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating).

Council's systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures;
- application of judgment and estimation;
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes; and
- systems to capture the process and maintain new lease data and for ongoing maintenance.

Planning enquiries

As part of our planning risk assessment procedures we have considered the implications of the updated standard and the impact on the Council's financial statement. We will continue to discuss this with management and consider as part of the 2023/24 audit.

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx \(publishing.service.gov.uk\)](#)

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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. We have complied with 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Housing Benefit Certification	48,440 (2022/23)	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 £48,440 in comparison to the total fee for the audit of £375,258 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.
	48,440 (2023/24)		
Teacher's Pension return	22,000 (2022/23)	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 £25,000 in comparison to the total fee for the audit of £375,258 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.
	25,000 (2023/24)		

Communication of audit matters with 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 and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
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 matters in relation to going concern	•	•

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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.

Escalation policy

The Department for Levelling Up, Housing and Communities are proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Council's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding.

Step 4 - Escalation to the Audit and Governance Committee (at next available Audit and Governance Committee meeting or in writing to Audit and Governance Committee Chair within 6 weeks of deadline)

If senior management is unable to resolve the delay, we will escalate the issue to the Audit and Governance Committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Council's financial statements.



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Plymouth City Council

Auditor's Annual Report (interim version)
for the year ended 31 March 2024

November 2024

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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



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

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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Plymouth City Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements, covering the period 1 April 2023 to 31 March 2024.

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

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- 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 then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

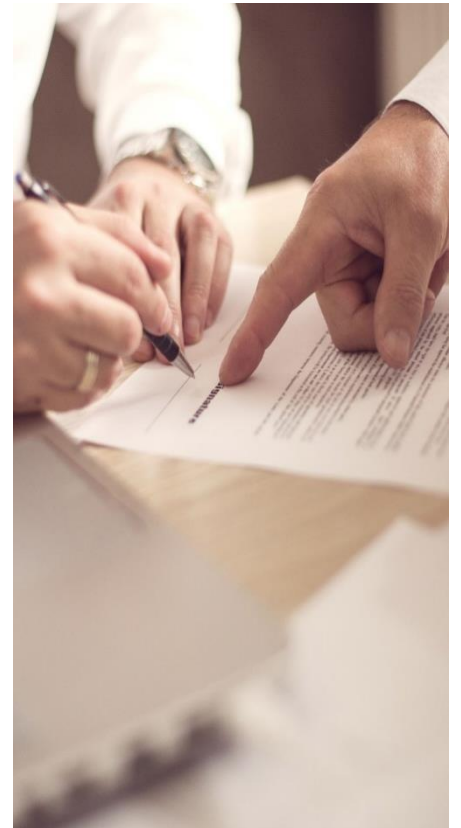
- financial sustainability;
- governance; and
- improving economy, efficiency and effectiveness.

The Value for Money auditor responsibilities are set out in Appendix B.

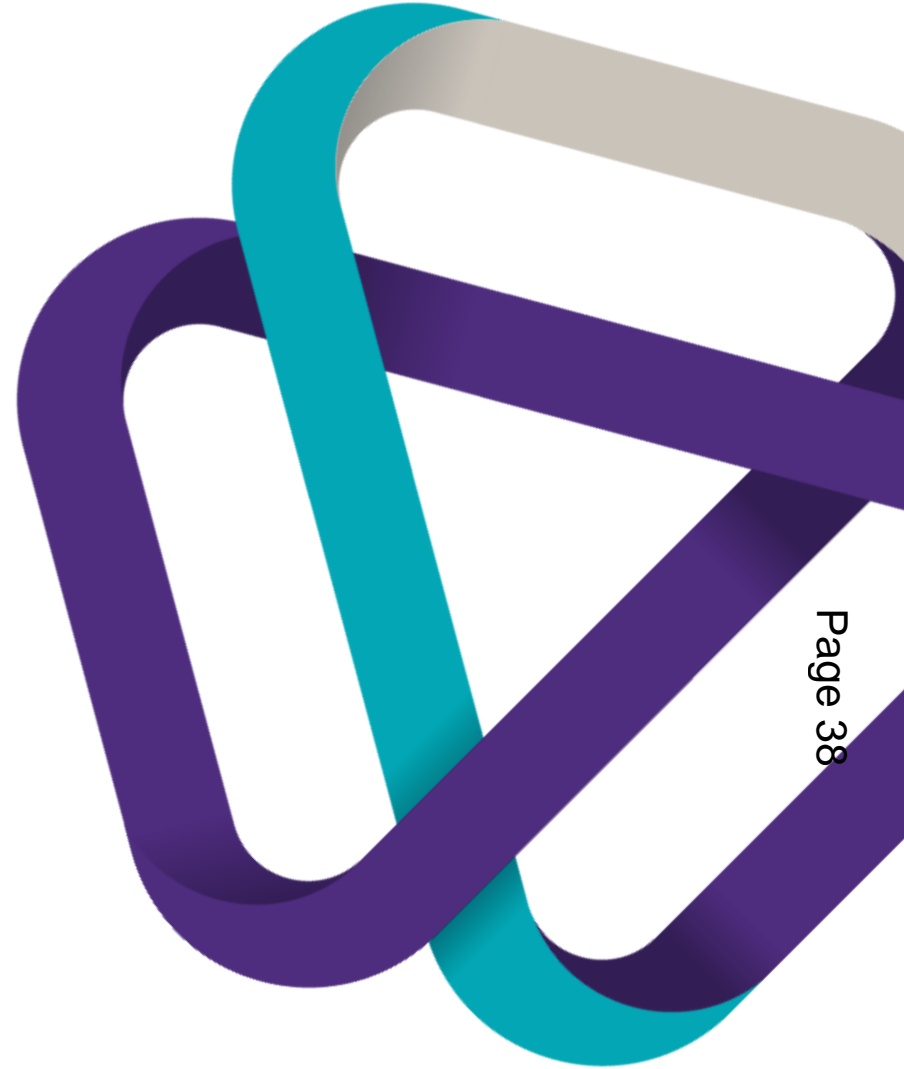
Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 10 with a commentary on whether any of these powers have been used during this audit period.



Executive summary



Executive summary

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. This report covers the arrangements in place for the period 1 April 2023 to 31 March 2024, although does not report some subsequent developments where these are relevant.

The NAO Code 2024 states that it will in future require auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by 30 November deadline each year and for the audited body to publish the Report thereafter. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in accordance with this timetable one year earlier than required.

Our 2023/24 summary findings are set out below.

Financial sustainability

We identified a significant weakness in the interim version of our 2022/23 Auditor's Annual Report, presented to the Council's Audit and Governance Committee in March 2024, recommending that the Council needed to produce an updated Medium Term Financial Strategy (MTFS). At the time of writing, an updated MTFS has not been published and therefore we consider that this significant weakness and key recommendation remain open. See pages 13 and 16 for more information.

Whilst the Council is engaging in transformation within Adults and Children's services, and some wider activities to enable transformation, the Council needs to ensure that it can deliver its plans at scale and pace to support its financial sustainability, bringing these into a single plan to allow monitoring and accountability. We identified a significant weakness and key recommendation in respect of this area, see pages 14 and 17.

We also identified areas where the Council could improve arrangements and as such, have raised the following two improvement recommendations:

- the MTFS should include a sensitivity analysis where levels of assumed income and expenditure are varied to identify the best, likely and worst-case scenarios; and
- the Council should clearly identify and report on the split between recurrent and non-recurrent savings each year.

Governance

In conclusion, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We identified two areas where the Council could improve arrangements and as such, have raised two improvement recommendations relating to:

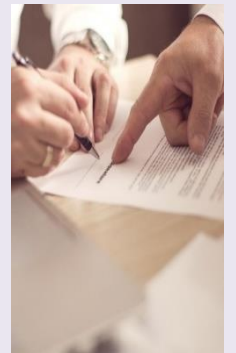
- improving the consistency of the information on the Corporate Risk Register; and
- reporting of the high-level improvements made as a result of fraud investigations.



2023/24

Our work on the Council's 2023/24 financial statements began in October 2024.

We anticipate issuing our audit opinion by the end of February 2025.



Executive summary (continued)

Improving economy, efficiency and effectiveness

We reported a significant weakness in our 2022/23 Interim Auditor's Annual Report related to the arrangements to deliver good quality Children's Services. Within 2023/24 the Council was in Secretary of State (SoS) intervention throughout much of the year, with a Statutory Improvement Notice issued in May 2023 and another Improvement Notice in November 2023 following a local area SEND inspection. The Council did respond promptly and positively to intervention and can evidence improvements in services into 2024/25, however we conclude that the arrangements for the period 1 April 2023 to 31 March 2024 were indicative of a significant weakness in arrangements, see pages 22, 24 and 25.

We identified one area where the Council could improve arrangements and as such, have an improvement recommendation on the reporting of the Council's Procurement Readiness Action Plan to the Audit and Governance Committee.

One area for improvement outstanding from our 2022/23 AAR is the production of a Data Quality Strategy which the Council plan to produce by the end of March 2025 as part of a wider review of data intelligence and maturity.

Executive summary (continued)



Overall summary of our Value for Money assessment of the Council’s arrangements

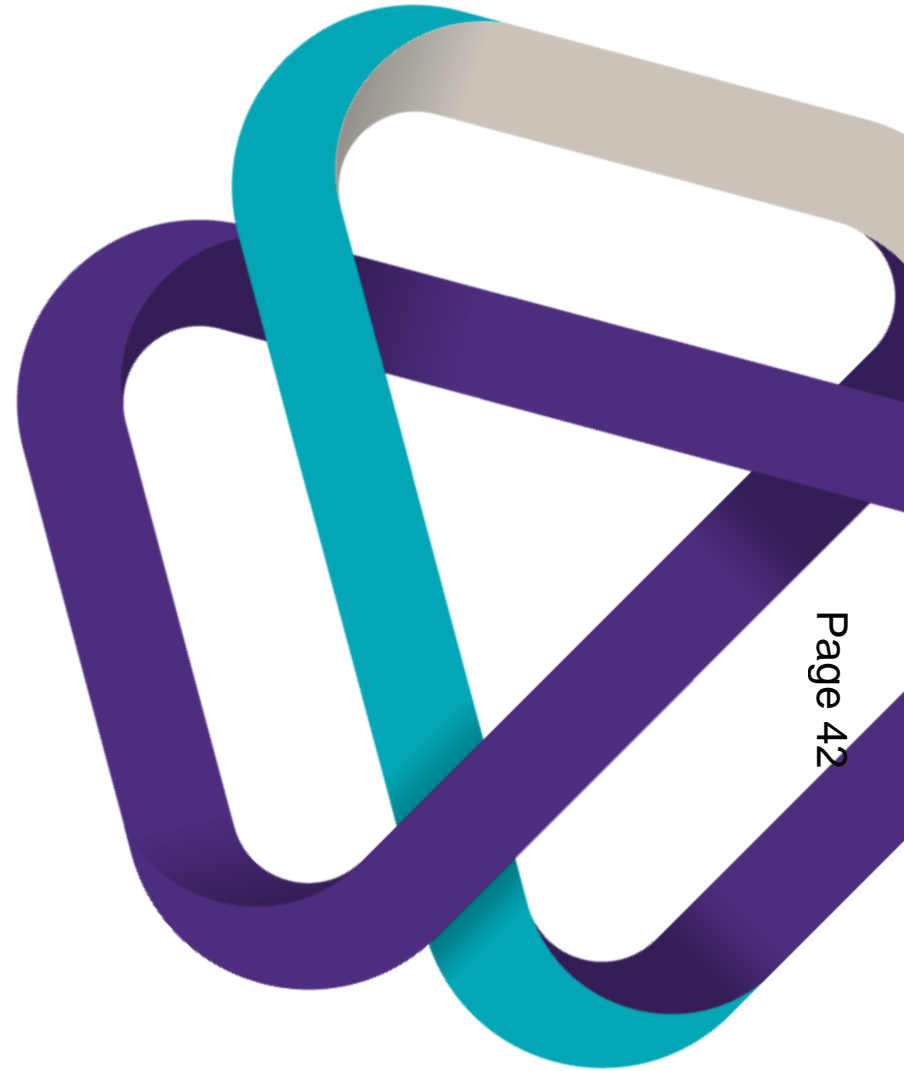
Auditors are required to report their commentary on the Council’s arrangements under specified criteria and 2023/24 is the fourth year that these arrangement have been in place.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements		2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	
Financial sustainability	R	Significant weakness as the Council has a high number of financial stress indicators. One key recommendation made. Three improvement recommendation made.	Risk of significant weakness identified.	R	Significant weakness as 2022/23 key recommendation not implemented. One prior year key recommendation remains open and one new key recommendation made. Two improvement recommendations made.
Governance	A	No significant weaknesses in arrangements identified. Four improvement recommendations made.	No risk of significant weakness identified.	A	No significant weaknesses in arrangements identified. Two improvement recommendations made.
Improving economy, efficiency and effectiveness	R	Significant weakness as continuing risk in the delivery of children’s services. In May 2023, the DFE issued a statutory Improvement Notice for Children’s Services. One key recommendation made. One improvement recommendation made.	Risk of significant weakness identified.	R	Significant weakness as Improvement Notice in place May 2023 to April 2024. One improvement recommendation made.

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

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



Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial 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 then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

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

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

Audit opinion on the financial statements

The Council provided draft accounts in line with the national deadline.

Our work on the Council's 2023/24 financial statements began in October 2024. We anticipate issuing our audit opinion by the end of February 2025, in accordance with the proposed backstop arrangements.



Use of auditor's powers

We bring the following matters to your attention:

We do not currently anticipate:

Statutory recommendations

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

- making any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

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

- issuing a public interest report.

Application to the Court

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

- making an application to the Court.

Advisory notice

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

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

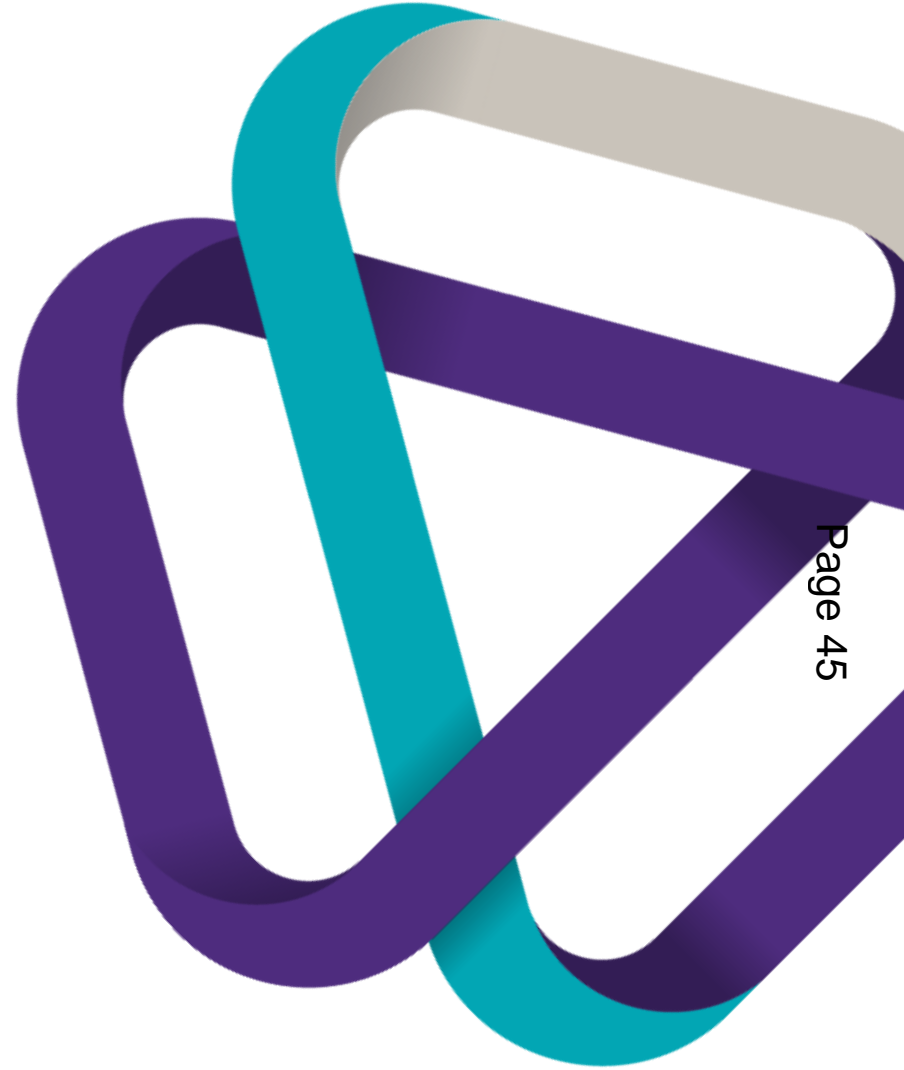
- issuing any advisory notices.

Judicial review

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

- making an application for judicial review.

Value for Money Commentary on arrangements



The current local government landscape

It is within this context that we set out our commentary on the Council’s value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils’ General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents. In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend. Given the general election took place on 4 July 2024, any changes to government policy relating to the sector are at present uncertain.



Local context

Plymouth City Council is a unitary authority that has been under Labour majority control since 2023, with 42 Labour, 7 Conservatives, 2 Green and 6 Independent councillors. The 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. Throughout 2023/24 the Council faced continuing major increases in service demand 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 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 continues 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.

In assessing arrangements over the following pages, we use the following RAG-rating criteria.

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability



We considered
how the Council:

Commentary on arrangements

Assessment

Ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

As we reported in our 2022/23 Interim Auditor's Annual Report, which was discussed at the March 2024 Audit and Governance Committee, the Council has an organisational approach to financial planning. However, we reported a significant weakness in the Council's arrangements for financial sustainability as there was a medium-term financial gap of circa £69 million in the Council's Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28 published September 2023. Since we reported on 2022/23, increased costs and activity will likely have widened this gap between funding and expenditure as:

- the 2023/24 outturn, which although balanced, required a drawdown of £1.953m of usable reserves and the use of £9.307m of corporate resourcing adjustments for the Council to break-even; and
- at month 5 2024/25, the forecast outturn revenue overspend is £16.687 million, of which £6.697million currently has no mitigations identified. The mitigations that have been identified are amber risk-rated and therefore not guaranteed to deliver.

We reported that a new Medium Term Financial Strategy 2025/26 to 2029/30 needed to be documented, recalculating the medium-term budget gap to allow appropriate action and mitigation to be taken to ensure financial sustainability. Officers have stated that this will be presented to Cabinet in November 2024, however at the date of writing we have not been provided with the document and so cannot comment upon it. We therefore consider that the significant weakness and key recommendation related to this that was reported in 2022/23 remain open. More information can be found on page 16.

We also consider that there is a need to refine short and medium-term financial planning to include sensitivity analysis to better identify the timing and scale of financial pressures and raise Improvement recommendation 1, see page 18.

Within 2024/25, the Council is reporting revenue budget pressures, similar to many other local authorities. Monthly revenue budget monitoring reporting ensures that Members are kept informed of the current position and mitigations that have been identified. The Council is also working with senior and middle managers, as well as Members, and undertook an all-staff Q&A session to ensure that everyone understands the financial challenge, what is being done about it and what their role is. It will be essential to ensure that the Council can mitigate any continuing revenue budget pressures in order to deliver a balanced outturn.

R

Plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Plymouth City Corporate Plan 2023-28 sets out the Council's 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 Medium-Term Financial Strategy (MTFS) is the Council's primary financial strategic and planning document linking the revenue budget, the capital programme and the treasury management strategy. The Strategy ensures resource allocation is in line with Plymouth's priorities, noting as identified above that this needs update to reflect the current financial position.

As above, the latest MTFS was produced in September 2023, and it is essential that the MTFS is revised regularly with more detailed analysis of the impact of the interlinking financial elements of financial planning. See Key Recommendation 1. The improvement recommendation "The 2024/25 to 2028/29 MTFS should be approved early in the 2024/25 financial year, and we suggest that future MTFSs are prepared at the same time as the annual budget and approved before the start of each financial year", raised in our 2022/23 Interim Auditor's Annual Report, remains outstanding.

A

Financial sustainability (continued)



We considered
how the Council:

Commentary on arrangements

Assessment

Plans to bridge its funding gaps and identifies achievable savings	<p>Whilst there were some savings resulting from the transformation of services in Adults and Children's Services in the year under review, these demand led services overspent significantly in 2023/24 and continue to do so to date in 2024/25. As reported on the previous page, the Council is forecasting a net revenue overspend for 2024/25 of £6.697 million, assuming all currently identified mitigations deliver the benefits that they are envisaged to.</p> <p>The Council is in the process of identifying savings to balance the significant budget gap of £22 million in 2025/26 (reported provisionally as £17.3 million in the MTFF), but these have not yet been fully costed and articulated. This will include transformation of services, but it is not currently clear if this can be delivered to the scale and pace required to support the Council's financial sustainability and transformation projects are not yet brought together into a single, cohesive plan. Given the importance of transformation in securing financial sustainability, we have identified a significant weakness in arrangements and raise key recommendation 1, see page 17.</p> <p>As previously noted, a balanced budget position was delivered in 2023/24, however this involved the use of some significant one-off measures. These are less effective in addressing the medium-term budget gap given their nature, and the Council does not clearly identify the split between recurrent and non-recurrent savings within its reporting. See improvement recommendation 2 on page 18.</p>	R
Identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>Our Improvement Recommendation, raised in the 2022/23 Interim Auditor's Annual Report, stated that "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."</p> <p>Given the Council's financial challenges, the planned transfer to reserves of £350k in 2022/23 and 2023/24 has not been affordable as the Council has used those planned monies to help balance the books. There was also a proposed transfer of £750k in 2024/25 which is at risk given the currently forecast revenue overspend. The Medium-Term Financial Strategy 2023/24 - 2027/28, approved in September 2023, stated the Council's intention to work towards restoring a minimum 5% Working Balance. On 31 March 2024 it stands at £8.7m (although at the time of writing this is not supported by audited financial statements since 2019/20) which equates to approximately 3.6% of the Council's net revenue budget. It would need to be £13.4m, an increase of £4.7m to equate to the Council's minimum level of 5% which is still in the bottom quartile of its "family" of unitary authorities.</p> <p>There is a £1 million transfer planned for 2025/26, but this may be at risk given the need to balance the 2025/26 budget. There are no planned transfers to the General Fund working Balance in 2026/27 or futures years to date. Our 2022/23 improvement recommendation therefore continues to need to be addressed.</p>	A

Financial sustainability (continued)



We considered how the Council:

Commentary on arrangements

Assessment

Ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

The Council is committed to a significant capital investment programme to deliver, with partners, a major regeneration of the city. Officers are proactive at securing external grant funding wherever possible. However, of the five-year capital programme, 61% is funded through borrowing which puts a significant strain on the Council's revenue budget. In March 2024, the programme was re-profiled in light of the economic environment (increasing inflation and interest rates) and changing priorities. The March report amended the Capital Programme for the period 2023/24 to 2027/28 to £398.2m. External borrowing had still risen by £97m to a total £649.5m, in 2023/24, which means an additional £7.3 million per annum to be added to the recalculation of the 2025/26 to 2029/30 MTFS.

The Council's People Strategy also considers financial planning with plans to reduce agency staff and improve retention in substantive posts, especially in Children's Services where achieving a stable and experienced workforce is the cornerstone of its improvement work. The Council is engaging in a redesign of services in Adults and Children's Services to favourably impact financial planning in the medium term.

We were therefore satisfied that the financial planning process considers other plans such as capital and workforce.

G

Financial sustainability (continued)



Significant weaknesses identified in Financial Sustainability arrangements

Medium-term financial challenge to close the budget gap

We raised the following key recommendation in our 2022/23 Interim Auditor's Annual Report, presented to the Council's Audit and Governance Committee in March 2024:

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

In the seven months since we last reported, a new Medium Term Financial Forecast (MTFF) was taken to the July 2024 Cabinet. This was a document that discussed the Council's past financial history, its financial achievements and the financial assumptions that could be included in a revised MTFS. The MTFF updated funding and cost projections for latest estimates, but did not clearly set out any savings, or how these projections would be closed and therefore the September 2023 MTFS remains the most up-to-date financial strategy that the Council has produced, at the time of writing

Officers reported to the Audit and Governance Committee in July 2024 that they planned to take a revised MTFS to Cabinet in September 2024, although this subsequently slipped to November 2024 and at the time of writing no updated MTFS was available to be shared. The Council cites the calling of the General Election having slowed progress in addressing this recommendation. As such, we do not consider that this 2022/23 Key Recommendation and significant weakness remain open.

We assessed the following indicators of financial stress in our 2022/23 Interim Auditor's Annual Report, which are replicated below **and include the comparative figures for the 2023/24 outturn and 2024/25 forecasts in bold to show how the Council's medium-term financial position continues to deteriorate since we last reported:**

- For 2022/23, the drawdown of £7.9m of usable reserves and the use of £1.1m of Corporate Adjustments (including a MRP holiday) to enable the Council to report a nil variance; **2023/24 outturn, although balanced, required a drawdown of £1.953m of usable reserves and the use of £9.307m of Corporate resourcing adjustments.**
- For 2023/24, a forecast adverse outturn position, at month 9, of net £1.2 million, which includes forecast overspends in children's services of £10.8 million and people (including adult social care) services of £3.7 million. **See above for 2023/24 outturn. At Month 5, the Council is reporting a 2024/25 forecast revenue outturn overspend of £16.687 million, of which £6.697m currently has no mitigation identified. The remaining identified mitigations are amber rated and therefore not guaranteed to deliver.**
- Risks around departmental delivery of the overall 2023/24 savings target of £23.435 million, with £6.831 million of savings forecast as "not achievable" at month 9 with only £2.183 million found as mitigating actions. **The unachieved savings for 2023/24 at outturn were £3.648 million, which will need to be found in 2024/25 and future years. For 2024/25, savings targets are lower at £3.696 million, although at Month 5 the Children's Services savings of at £1.096 million are red RAG rated as "undeliverable".**
- Increasing levels of demand leading to future cost pressures resulting in a budget gap of £69 million in the Council's Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28, which would significantly impact on the Council's level of reserves if future savings were not made. **The latest funding gap is likely to have widened with the impact of the 2023/24 outturn and the latest 2024/25 forecasts. It is of concern that this has yet to be calculated in the first six months of the 2024/25 financial year as recommended.**
- The approved capital programme, at December 2023, for the Council is £398.2 million. Of this £243.9 million (61%) is funded through borrowing which cost £4.1 million a year to service. **This in-year revenue cost has increased to £7.4 million a year in 2024/25.**

It is critical that the forecast revenue overspend in 2024/25 can be fully mitigated. The underlying drivers for the overspend also need to be factored into the updated MTFS.

Financial sustainability (continued)



Implementation of the Council's Transformation Programme at scale and pace and cohesive reporting of progress on this

The February 2023 feedback from the return of the 2022 LGA Corporate Peer Challenge (CPC) team recognised that the Council is in a better place and much progress has been made on the CPC action plan. However, there are still challenges around the level of reserves, adding value through scrutiny and capacity of the finance function and other departments. The CPC team felt that “in key service areas, most especially in both Adults and Children’s services, the council should have a clear plan in place to ensure greater focus on the improvements it needs to make are effectively led and delivered. For example, resources will be required to address the outcome of the recent Ofsted inspection and make any necessary improvements to service delivery in Children’s services, whilst in parallel Adult Social Care is responding to significant national reform. However, there are also capacity concerns within the corporate centre, the area that will be required to deliver the council’s overall change and transformation ambitions”.

Our 2022/23 Interim Auditor’s Annual Report Key Recommendation 1 included the following:

“... Progress in delivering transformation plans should be tracked by Cabinet each month and periodically reviewed by the relevant Scrutiny Committee for the service.”

Since we reported the recommendation in March 2024, there have been updates on Children’s services taken to Cabinet meetings, including the “Achieving Excellence” children’s strategy 2024-27 in July 2024, and an update in September and October 2024. As was required for all local authorities, the Council also produced its Productivity Plan that went to Cabinet in July 2024, setting out historic achievements and including a short summary of what transformation it plans.

Transformation projects are discussed at the Council’s monthly change board, as well as Senior Leadership Team (SLT) meetings. From a review of change board agendas, we can see that officers do consider programmes within the current transformation portfolio, how they are prioritised and the enabling services projects and support that sit beneath these including automation and new ways of working.

Whilst the Council is engaging in some transformation within Adults and Children’s services, with the latter formulating into the new Children’s strategy in the 2024/25 financial year, the Council has yet to publicly articulate a single council-wide transformation plan, including a pipeline of schemes and savings developed. The Council’s current MTFS 2023/24 to 2027/28 states that “Transformation Portfolio and Corporate Support Services, as well as playing a key role in supporting the demand-led services with financial, legal, procurement and HR expertise, will be reviewing their own operating models.” However, it is not yet clear how these benefits will be delivered to the scale and pace required to support the Council in maintaining financial sustainability.

Key recommendation 1:

The Council should report a council-wide transformation plan at sufficient scale and pace to demonstrate that it is able to address the significant structural budget deficit. This should include:

- cohesive reporting to Cabinet on the planned resourcing, timescales, milestones, savings and outcomes from its council wide transformation programme, bringing together work planned and delivered by directorates; and
- detailing the planned annual savings and how these reconcile to the forecast savings required in the revised Medium Term Financial Strategy (MTFS) 2025/26 to 2029/30.

Financial sustainability (continued)



Areas for improvement

Sensitivity analysis for robust modelling of the timing of financial pressures

The Council's financial model that underpins the MTFS would benefit from being updated to include sensitivity analysis on key assumptions for significant income and expenditure items, identifying the best, likely and worst-case scenarios. This would provide a more transparent picture to Members of the potential annual funding gaps, council tax and business rate levels to allow more informed decisions.

Within any unitary council's MTFS, the interrelated factors comprise a complex calculation which means there is a risk that modelled income could be overstated and potential costs understated. For example, the Council use of a 97.5% income tax collection rate in the latest MTFS, when the Council's actual income collection rate for the last three years has been 96.5%. This difference equates to a potential overstatement of council tax income of approximately £1 million each year in the current MTFS. By clearly setting out the sensitivity of such key assumptions, the MTFS will articulate more clearly potential future financial outcomes or challenges.

Departments could also model levels of demand depending on service provision, and the impact of the transformation programme to further increase transparency.

Improvement recommendation 1: The MTFS should include a sensitivity analysis where levels of assumed income and expenditure are varied to identify the best, likely and worst-case scenarios.

Identification and reporting on the level of recurrent savings

The Council does not adequately identify those savings which are recurrent and those which are non-recurrent. Its year end measures to balance the annual outturn are likely to be one-off measures which do not benefit the medium-term financial position of the Council on an on-going basis.

Improvement recommendation 2: The Council should clearly identify and report on the split between recurrent and non-recurrent savings each year.

Governance



We considered how the Council:

Commentary on arrangements

Assessment

Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Risk management 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. Internal audit provided an opinion of reasonable assurance for Risk Management arrangements at the Council.

In March 2024 there were 26 strategic risks on the Corporate Risk Register, however there were some inconsistencies on the register which implies that the risk register needs a more in-depth review by the Corporate Management Team (CMT) as part of their quarterly review. Examples are given on page 21, along with improvement recommendation 3.

A

Approaches and carries out its annual budget setting process

The Council maintains a satisfactory annual budgeting process in terms of analysing its financial position, documenting the intended income and expenditure and setting savings goals to balance the budget for the year to come. Cabinet, Scrutiny and Council have an active role in scrutinising financial plans, budget principles and assumptions. The Council's stakeholders are also consulted as part of the budget setting process to allow meaningful input to plans.

The Council approved a balanced budget for financial year 2024/25, following a process of scrutiny. At the draft budget stage in November 2023 there were additional resources of £15.954 million identified, but with Corporate and Directorate budget adjustments totalling £18.312 million, the budget shortfall stood at £2.358 million. This budget gap was closed once the detail of both the Autumn Statement and the Provisional Settlement was known and analysed in December 2023, and the draft budget had been reviewed by Cabinet and Scrutiny. When the 2024/25 budget was approved in February 2024 the Council noted that financial pressures will continue to provide a challenge, and it will need to deliver savings plans and work within the budget allocations.

G

Governance (continued)



We considered how the Council:	Commentary on arrangements	Assessment
Ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	<p>The Council's monthly budget monitoring reports provide Cabinet with a clear understanding of the Council's financial position in-month and year to date, as well as forecasts for the year-end. The minutes of the Cabinet meetings indicate that discussions and challenges focused on the areas of greatest variance, demonstrating a clear understanding of the areas requiring management and Member attention. Corrective action is taken where needed and budget overruns in demand led services such as Adults and Children's are covered by a transfer from the Council's earmarked budget management reserve.</p> <p>The Council is working with MHCLG (Ministry of Housing, Communities and Local Government) 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. Once this issue has been resolved, the Council will have to adjust the Statement of Accounts for 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24 to account for this transaction. Our work on the Council's 2023/24 financial statements began in October 2024 and we anticipate issuing our audit opinion by the end of February 2025, in accordance with the proposed backstop arrangements.</p>	G
Ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	<p>The Head of Internal Audit's opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Council's internal control framework. The Council has arrangements in place to ensure it makes properly informed decisions, supported by appropriate evidence, which allow for challenge and transparency.</p> <p>The Cabinet handles strategic decisions after considering detailed reports to Council. The Scrutiny Committees investigate local policies, risk and performance, leading to reports and recommendations for the Council. The Council's Monitoring Officer ensures public access to decisions and relevant reports. Cabinet papers show sufficient detail to support key decisions. The Council's governance arrangements, including the roles of the Council, the Cabinet, the three Scrutiny Committees, the Audit and Governance Committee and regulatory committees, are detailed in the Constitution.</p> <p>The Audit & Governance Committee self-assessment is still outstanding, however the process began at the September 2024 Audit and Governance Committee.</p> <p>We raise improvement recommendation 4 on age 21, relating to enhanced reporting in the Council's annual fraud report.</p>	A
Monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.	<p>The Standards Committee ensures that all councillors and officers of the Council perform their duties within agreed codes of conduct. Members of the Committee work together to promote the importance of high standards of behaviour and systems of governance to create a climate where complaints or problems are rare. From our review of the Council's exemption from tender tracker (waiver report), we consider that waivers are maintained at an acceptable level and signify sound arrangements in procurement planning.</p>	G

Governance (continued)



Areas for improvement

Improvement required in the consistency of information in the Council's Risk Register

In March 2024 there were 26 strategic risks on the Corporate Risk Register, however there were some inconsistencies on the risk register which implies that the risk register needs a more in-depth review by the Corporate Management Team (CMT) as part of their quarterly review. For example:

- the finance risk of "Council's expenditure exceeds the resources available to meet that expenditure within the medium-term financial plan period 2022/23-2025/26" is quoting the wrong financial year as well as the score being reduced from 25 to 16 when the Council's needs to update its MTFS;
- Internal audit produced five limited SEND assurance reports (with 21 high risk recommendation on SEND Governance, Decision Making, Commissioning & Contracting; and Provision Monitoring & Evaluation) and the Council is under a Statutory Improvement SEND notice, however SEND does not appear on the Council's Strategic Risk; and
- the effectiveness review of the Council's 20 companies has not been fully completed as planned, so the risks around the Council's Companies should be assessed and, given their significance in terms of service delivery, be included on the risk register as appropriate.

Improvement recommendation 3: The information on the Corporate Risk Register needs to be reviewed so that it is fully up to date. This should be done through better triangulation with other information, to remove inconsistencies in scoring and improve understanding of the risks around the Council's operations.

Summary reporting the outcome of fraud referrals to the Audit and Governance Committee

The 2023/24 Annual Counter Fraud Report, presented to the Audit and Governance Committee in July 2024, showed that the Counter Fraud Services Team (CFST) received 293 (277 in 2022/23) referrals in the past 12 months covering areas such as tenancy fraud, blue badge fraud, and parking permits. The CFST has 33 live investigations (101 in 2022/23) and continues to support service areas that require data analysis and monitoring. Individual investigation details cannot be disclosed due to the sensitivity of the information.

However, there is room for improvement, as the outcomes of the 293 referrals during 2023/24 were not reported in terms of how the high-level issues were managed and what subsequent improvements were made to internal control to prevent similar issues occurring. The reporting would give the Audit and Governance Committee the assurance that issues were being successfully resolved.

Improvement recommendation 4: The annual fraud report should incorporate details of the high-level outcomes in terms of improving the Council's control framework as a result of fraud referrals, along with the specific procedures and measures implemented to prevent similar occurrences. This will provide a more comprehensive understanding of the measures in place for preventing and detecting fraud.

Improving economy, efficiency and effectiveness



We considered how the Council:

Commentary on arrangements

Assessment

Evaluates the services it provides to assess performance and identify areas for improvement

We concluded there was a significant weakness in arrangements to deliver good quality Children's Services within the 2023/24 financial year, as the Council was in Secretary of State (SoS) Intervention for 11 months of the financial year. This follows a significant weakness being identified in the interim version of our 2022/23 Auditor's Annual Report, which we reported to the Audit and Governance Committee in March 2024.

The Council and its partners received a further Improvement Notice in November 2023 following a joint local area SEND inspection.

The Council can evidence improvement in services during 2023/24, with arrangements put in place promptly to address issues raised in the Improvement Notice. It has also approved an updated children's strategy within the 2024/25 financial year. See pages 24 and 25 for more information.

R

Uses financial and performance information to assess performance to identify areas for improvement


The Corporate Plan Performance Report is presented on a quarterly basis to the Cabinet and Scrutiny Committees and to the Corporate Management Team (CMT) on a monthly basis. Key performance indicators are used to track delivery of the Council's priorities as outlined in the Corporate Plan. Targets go through CMT and are then agreed with Portfolio Holder. These are monitored using a RAG rating, with a margin of 15% used to determine the RAG rating in respect of risk of delivery. The Council's Performance and Accountability Framework underpins this approach and is due for review in 2024 as it was last updated in July 2021. We raise improvement recommendation 5 on page 26 to ensure that new KPIs are stretching.

In 2023/24, performance challenges included an increase in the percentage of children previously on child protection plans, an increase in staff sickness days, and an overspend of £11.63m in Children's Services due to specialist residential placements and SEND school transport.

To mitigate the risk of adult placement providers withdrawing services, the Council engaged in regular communication with providers and participates in benchmarking with other local authorities through regional groups. The Q4 2023/24 performance report to the Education and Children's Social Care Overview and Scrutiny Committee includes benchmarked KPIs, indicating a commitment to benchmarking costs and performance against similar bodies.

A

Improving economy, efficiency and effectiveness (continued)

<div><div><div>We considered how the Council:</div><div>Commentary on arrangements</div><div>Assessment</div></div></div>	
<div>Commissions or procures services, assessing whether it is realising the expected benefits</div>	<div><p>The Council's Financial Regulations and Contract Standing Orders are documented in the Council's Constitution. Staff must comply with these rules when spending money with external providers. The Council has a Head of Procurement and specialised teams for different types of procurement. The Council complies with the Public Services (Social Value) Act and applies social value evaluation weightings. The Council has responded to our recommendation and produced a Procurement Strategy 2024 – 2026 which was presented to the July 2024 Audit and Governance Committee. Procurement activity had been monitored since the last refresh in 2020 and it had been found that most quotations were between £10k-£15k, a threshold seen across other local authorities.</p><p>The Council's Procurement Strategy aligns with both national and local priorities and considers anticipated government legislative and policy changes. It is divided into three parts: the Council's strategic procurement framework of category management, nine strategic procurement themes to be executed within this framework, and five key enablers essential for the successful implementation of the strategy. Per the report, a contract management framework would be created in the future to support the strategy. Improvement Recommendation 6 on page 26 refers to reporting to the Audit and Governance Committee of the Council's Procurement Readiness Action Plan.</p></div> <div>A</div>
<div>Ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives</div>	<div><p>The Council's financial plans highlight several partnership arrangements that align with its corporate objectives and key priorities; including job creation, affordable housing, education improvement, and addressing health needs and social care. These partnerships also align with some of the high-cost services identified in our benchmarking, evidencing that the Council is seeking to work with partners to reduce costs. The Council is an active participant in the Plymouth Safeguarding Adults Partnership and the Plymouth Safeguarding Children Partnership, which coordinate and lead safeguarding services across the city. These partnerships prioritise learning, continuous improvement, and collective accountability to ensure everyone in Plymouth plays their part in keeping both children and adults safe.</p><p>The LGA Peer Review suggested that the Council “build on the effective relationships with external partners across a larger geographical footprint to maximise opportunities, especially those offered through the emerging County Deal, and support political leaders to enhance their visibility in these partnerships. As part of this, the council should consider reviewing the Terms of Reference of the Boards and their strategic rationale in order to simplify channels of engagement for all external stakeholders.” The Council has implemented these recommendations from the Peer Review.</p><p>We comment on the work required with the ICB and other partners following the joint area SEND inspection, see page 24.</p></div> <div>G</div>

Improving economy, efficiency and effectiveness (continued)



Significant weakness identified in Improving economy, efficiency and effectiveness

In May 2023, the Department for Education issued the Council with a Statutory Improvement Notice requiring areas in Children's Services to be improved by the Council, following the Ofsted Focus Visit in December 2022 which found evidence of systemic inadequate practice. The Council promptly implemented an Improvement Board for children's services, and targeted support was provided by the Department for Education. Following the implementation of remedial actions and focus by the Council, it was recognised through the Ofsted Inspection of Local Authority Children's Services in January 2024 that some improvements had been made in the year. This report confirmed that the Council retained its 'require improvement' rating for Children's Services, both overall and for all sub-judgements.

The Secretary of State wrote to the Council in April 2024, confirming that they were satisfied that the Council is committed to building upon the improvements to date and closed the Improvement Notice on the understanding that children's services remain one of the key priorities for the Council. It should be noted that the turnaround from receiving the Improvement Notice to it being lifted was prompt, evidencing that the Council took the matter seriously and implemented swift, robust improvement arrangements. The closing of the improvement Notice contingent on the following to ensure an effective transition out of intervention:

1. Agreement that the Improvement Board for children's services is kept in place for a period of at least 6-months, with potential for a further extension to be kept under review in conjunction with the department.
2. That Dorset Council continue to provide peer support as the Sector Led Improvement Partners.
3. And, the department's Improvement Adviser continues for a minimum of a further 12-months with quarterly updates to the Secretary of State.

The Secretary of State also noted that "... this outcome reflects a considerable effort to bring about the rapid improvement of services over the preceding 12-months. While Ofsted's report highlights the Council's positive response in addressing serious concerns from the previous Focus Visit, it also shows that there remain areas of weakness where improvement must now be focused to ensure appropriate and consistent practice. This includes the quality and availability of accommodation, in addition to the timeliness of initial health assessments, which will need to be prioritised to ensure appropriate support and strengthened outcomes for both children in care and care leavers."

The Council continues to implement the above actions with the Children's and Young Person's Improvement Board meeting each month to discuss and monitor progress. The Children's Services "Achieving Excellence" Strategy, approved in July 2024, sets out ten priorities for service improvement and transformation, developed with children, young people and staff, and the milestones that the Council plan to achieve over the next three years. These ten priority commitments will ensure the Council can develop, sustain and embed consistently good and outstanding practice approaches, achieving the vision and transforming children and young people's lives. These improvements will require investment and careful planning to ensure that they can be delivered, and the investment required is not currently reflected in the latest Council MTFs.

The Council, the ICB and other partners were also subject to a joint CQC and Ofsted local area SEND inspection in June 2023. Following this in November 2023, a further Improvement Notice was issued in response to the areas of priority action and improvement identified through the inspection. The Improvement Notice identified that it is expected that the actions would be completed by December 2024 or sooner, and that the Improvement Notice will remain in place until sufficient progress has been evidenced and the Minister agrees to close it.

Improving economy, efficiency and effectiveness (continued)



Significant weakness identified in Improving economy, efficiency and effectiveness (continued)

Noting the prompt response by the Council and the continued progress to date, given the timing of the Improvement Notices and the subsequent actions taken in 2024/25, we identified a significant weakness in arrangements in place in the 2023/24 financial year and raise the following key recommendation:

Key recommendation 2

The Council should:

- ensure appropriate arrangements are in place with partners to address the actions raised in the Joint Area SEND inspection and resultant Improvement Notice; and
- fully cost the improvements identified through the “Achieving Excellence” Strategy, approved in July 2024, and incorporate these into the Council’s updated financial plans, with relevant timeframes identified.

This will ensure that the Council continues to improve services and avoids returning to statutory action.

Improving economy, efficiency and effectiveness (continued)



Areas for improvement

Setting of KPIs for each service area with stretch targets

Reporting of the Procurement Readiness Action Plan to the Audit Committee

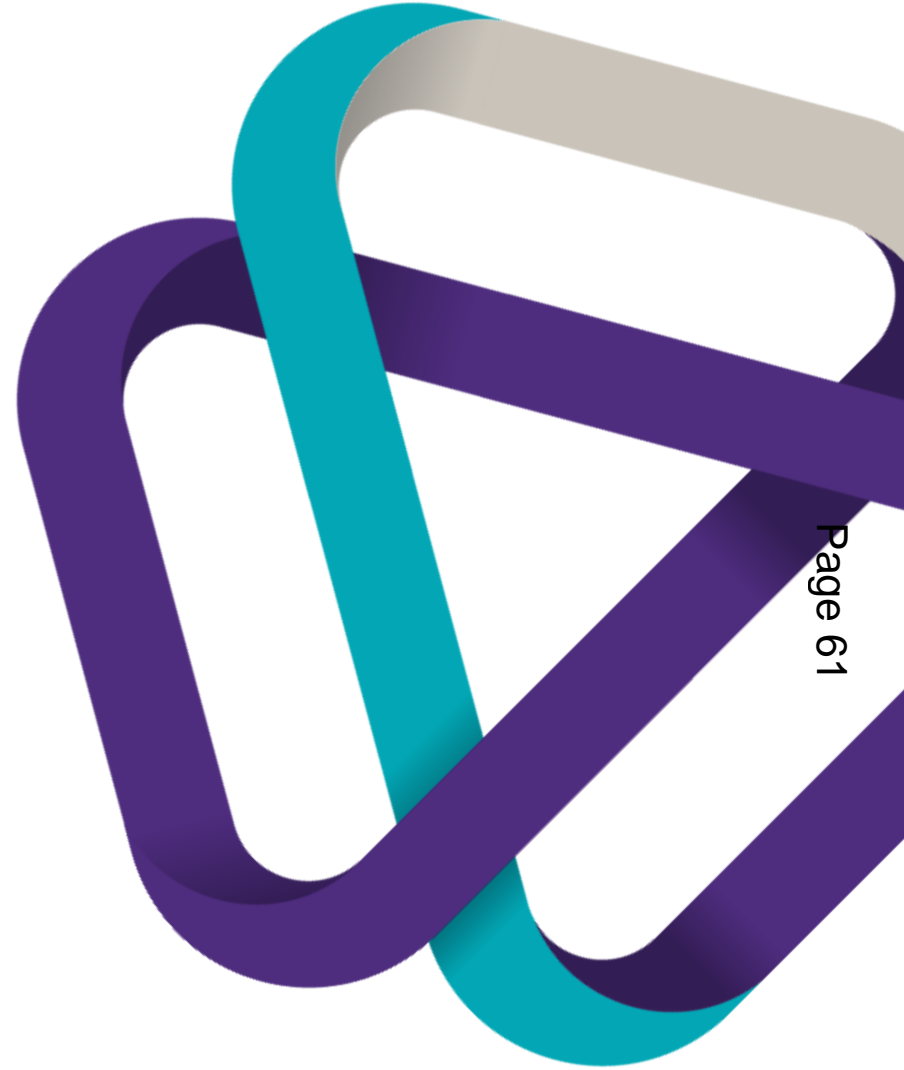
The Procurement Act, which will reform the existing Procurement Rules, received Royal Assent in October 2023. In March 2024, the Procurement Regulations 2024 were laid in Parliament to bring some elements of the Bill and the wider regime into effect.

On 12 September 2024, Cabinet Office announced that the Procurement Act 2023 would now commence on 24 February 2025 rather than 28 October 2024, to allow time for a new National Procurement Policy Statement (NPPS) to be produced.

The Council will need to ensure that it complies with the new legislation and reporting to Audit and Governance Committee should provide assurance that this is the case.

Improvement recommendation 5: The Council's Procurement Readiness Action Plan should be reported to the Audit and Governance Committee so it has assurance that the Council will be implementing the requirements of the new procurement regulations in a timely manner by the deadline of February 2025.

Value for Money Recommendations raised in 2023/24



Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Actions agreed by Management
Financial Sustainability		
<div>KR1</div> <p>The Council should implement its plans for its council wide transformation programme at sufficient scale and pace to demonstrate that it is able to address the significant structural budget deficit. This should include:</p> <ul style="list-style-type: none">cohesive reporting to Cabinet on the planned resourcing, timescales, milestones, savings and outcomes from its council wide transformation programme, bringing together work planned and delivered by directorates;detailing the planned annual savings and how these reconcile to the forecast savings required in the revised Medium Term Financial Strategy (MTFS) 2025/26 to 2029/30.	Key	<div>Actions:</div> <div>Responsible Officer:</div> <div>Due Date:</div>
Improving economy, efficiency and effectiveness		
<div>KR2</div> <p>The Council should:</p> <ul style="list-style-type: none">ensure appropriate arrangements are in place with partners to address the actions raised in the Joint Area SEND inspection and resultant Improvement Notice; andfully cost the improvements identified through the “Achieving Excellence” Strategy, approved in July 2024, and incorporate these into the Council’s updated financial plans, with relevant timeframes identified.	Key	<div>Actions:</div> <div>Responsible Officer:</div> <div>Due Date:</div>

Recommendations raised in 2023/24 (continued)

Recommendation		Type of recommendation *	Actions agreed by Management
Financial Sustainability			
IR1	The MTFS should include a sensitivity analysis where levels of assumed income and expenditure are varied to identify the best, likely and worst-case scenarios.	Improvement	Actions: Responsible Officer: Due Date:
IR2	The Council should clearly identify and report on the split between recurrent and non-recurrent savings each year.	Improvement	Actions: Responsible Officer: Due Date:
Governance			
IR3	The information on the Corporate Risk Register needs to be reviewed so that it is fully up to date. This should be done through better triangulation with other information, to remove inconsistencies in scoring and improve understanding of the risks around the Council's operations.	Improvement	Actions: Responsible Officer: Due Date:
IR4	The annual fraud report should incorporate details of the high-level outcomes in terms of improving the Council's control framework as a result of fraud referrals, along with the specific procedures and measures implemented to prevent similar occurrences. This will provide a more comprehensive understanding of the measures in place for preventing and detecting fraud.	Improvement	Actions: Responsible Officer: Due Date:

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24 (continued)

Recommendation	Type of recommendation *	Actions agreed by Management
Improving economy, efficiency and effectiveness		
IR5 The Council’s Procurement Readiness Action Plan should be reported to the Audit and Governance Committee so it has assurance that the Council will be implementing the requirements of the new procurement regulations in a timely manner by the deadline of February 2025.	Improvement	Actions: Responsible Officer: Due Date:

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendices

Appendix A: Responsibilities of the Council

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

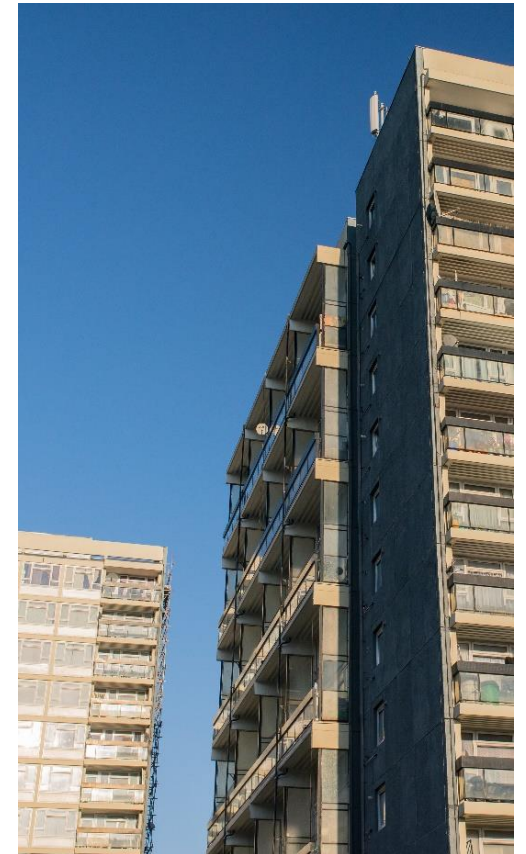
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B:

Value for Money Auditor responsibilities



Value for Money arrangements work

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

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial Sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment

Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

Appendix C:


Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p>Financial Sustainability</p> <p>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 (MTFS), early in 2024/25, to address how it will mitigate the risks against the financial stress indicators. Progress in delivering transformation plans should be tracked by Cabinet each month and periodically reviewed by the relevant Scrutiny Committee for the service.</p>	Key	March 2024	<p>An updated Medium Term Financial Forecast (MTFF) was presented to Cabinet in May 2024. The report set out the current assumptions and resultant financial pressures.</p> <p>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.</p>	No – as the MTFF detailed assumptions, but there was no calculation of an updated medium term financial gap.	Recommendation remains open
<p>Improving economy, efficiency and effectiveness.</p> <p>In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement in Children's Services to be addressed by the Council and its partners. The Children's Improvement Plan needs to be costed with timeframes, so the Council is clear of the investment required in Children's Services to meet the quality standards required by the Secretary of State to remove the Statutory Improvement Notice. The transformational issues need to be planned and resourced in detail and reflected in the Council's revised MTFS 2024/25 to 2028/29. Members need assurance that Children's Services have the resources and capacity to improve and the estimated timescale for the improvement required to remove the Statutory Improvement Notice in the reporting to the Children's O&S Committee.</p>	Key	March 2024	<p>Agreed – the 2024/25 Budget includes additional investment in Children's Services. There is a monthly Children's Transition Board, from June 2023, which reviews all data and measures outcomes. This will be clearly set out in the revised MTFS</p>	Partially – Improvement Notice lifted April 2024 but not fully costed into MTFS and need to ensure improvements are embedded and continuous	See Key Recommendation 2 in 2023/24

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:


Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
 Financial Sustainability					
1 We suggest that savings plans are RAG (Red, Amber, Green) rated, as part of the reporting on the progress of achievement of savings so that officers and members are aware in monthly financial reports to Cabinet, of the high-risk schemes that are less likely to be delivered; and what alternative savings plans are in place to address any financial in-year deficits.	Improvement	March 2024	Revised reporting will be introduced from Month 2 (May) 2024 as part of the 2024/25 reporting cycle.	Yes	No
2 The Council approved the four-year Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28 in September 2023. The 2024/25 to 2028/29 MTFS should be approved early in the 2024/25 financial year, and we suggest that future MTFSs are prepared at the same time as the annual budget and approved before the start of each financial year.	Improvement	March 2024	<p>An updated MTFF was presented to Cabinet in May 2024. The report will set out the current assumptions and resultant financial pressures.</p> <p>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.</p>	No	Recommendation remains open
3 As the Council is in the bottom quartile of “general fund and earmarked reserves as a percentage of net revenue expenditure” compared to other councils then it should aim for a higher working balance target than its current 5% to protect the long-term financial health and viability of the council.	Improvement	March 2024	The revised MTFS will set out our plans. The S151 officer has introduced a formal quarterly review of all reserves and provisions as part of the monitoring cycle.	No	Recommendation remains open

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:


Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
 Governance					
4 Integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs).	Improvement	March 2024	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.	Yes	No
5 The quarterly High Risk Update Report to Corporate Management Team and the Audit & Governance Committee needs to record further management action to provide officers and members with assurance on how strategic risks scoring in excess of 20 are being managed, with specific SMART actions and timeframes to monitor the management of these risks. We suggest that this information is also recorded on the computerised risk management system.	Improvement	March 2024	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.	Yes	No
6 The Audit and Governance Committee should carry out a self-assessment of its effectiveness each year and report on the outcome at the end of the financial year.	Improvement	March 2024	The returns will be consolidated into an overarching response and included in the annual statement to Council	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:

Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
Governance (continued)					
The scope of the review on “Governance of the Council’s Arms-length Companies” and the progress to date and timeframe for completion of the review is reported to the Audit and Governance Committee so that they may have the assurance that these companies are being effectively managed and the review reports in a timely manner.	Improvement	March 2024	The Monitoring Officer will report to CMT June 2024, with a full report to Audit & Governance September 2024.	Yes	No
 Improving economy, efficiency and effectiveness					
8 The Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI’s in its corporate performance framework, with a view to including an assessment of specific data sets within non-financial performance reports.	Improvement	March 2024	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	No	Follow-up implementation by 31 March 2025 as part of 2024/25 VFM fieldwork.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.



Audit and Governance Committee



Date of meeting:	12 November 2024
Title of Report:	Counter Fraud Services Half Year Report 2024-25
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:	HYR/CFST/24-25
Key Decision :	No
Confidentiality:	Part I - Official

Purpose of Report

This report summarises the work carried out during the financial year 2024/25 to date by the Counter Fraud Services Team at Devon Assurance 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) <i>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.</i>						
		1	2	3	4	5	6	7
A	Counter Fraud Services Half Year 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 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) <i>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.</i>						
	1	2	3	4	5	6	7

Sign off:

Fin	DJN. 24.25. 112	Leg	LS/00 0036 09/18 /LB/3 1/10/ 24	Mon Off	N/A	HR	N/A	Asset s	N/A	Strat Proc	N/A
Originating Senior Leadership Team member: David Northey											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 18/10/2024											
Cabinet Member approval: Councillor Mark Lowry approved via email. Date approved: 31/10/2024											



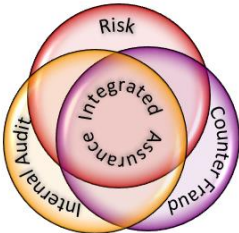
Counter Fraud Update

Audit Committee

Plymouth City Council

November 2024

Official



1. Executive Summary

1.1 The following is the [Devon Assurance Partnership](#) (DAP) [Counter Fraud Services Team](#) Half Yearly Report and Update for the financial year 2024/25. 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 current financial year to date the Counter DAP have –

- Received and processed 100 allegations of fraud and related offences against the Council and its citizens.
- Helped the Council generate calculated savings of £396,464.36 in all areas of Council business.
- Supported the Council's commitment to the National Fraud Initiative, by liaising with Departments and the Cabinet Office, supporting the relevant departments accordingly to create and upload data sets to the NFI Portal. (Completion date for this work is early December 2024)
- 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 Plymouth continues to lead the South West in utilising its own data to prevent and detect fraud and error. This is being undertaken to good effect and we will look to support and improve this approach across other areas of Council business. This will further improve the added value that DAP provides and increase an integrated assurance opinion that supports the Council and Local people.

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.

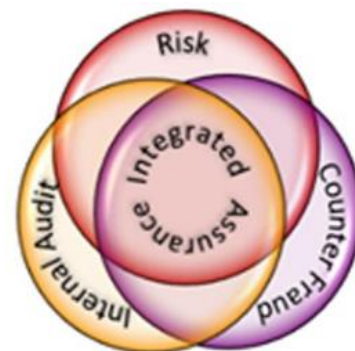
2.3 Reporting Counter Fraud activity is part of good Governance, and regular updates on the Council's Counter Fraud activity improves accountability; this report aims to meet this requirement and the requirements for such reports in accordance with the Council's own Anti-Fraud, Bribery and Corruption 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 Integration of Counter Fraud, Risk Management, and Internal Audit.

3.1 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).



3.2 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.

3.3 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.

4 National Fraud Initiative

4.1 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.

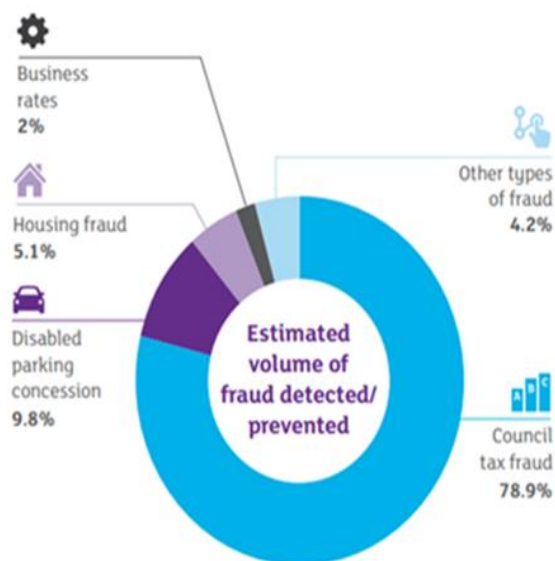


Cabinet Office

4.2 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.

4.3 The Biannual National Exercise for 2022/23 has been completed providing maximum assurance that potential fraud losses are minimised.

4.4 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, it remains imperative that the Council continues to maximise counter fraud activity in these areas to ensure the minimisation of any loss to fraud. 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.



4.5 The next National Exercise will have started with data being supplied to the Cabinet Office between now 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.

4.6 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.

5 Investigations and other ongoing work

5.1 So far this financial year, the Counter Fraud Services (CFS) Team have received and or generated 100 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

5.2 The CFS team have 26 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.

5.3 We continue to regularly pro-actively cross check data sets within the Council in order to reduce ongoing fraud and error. To date in 2024/25 this resulted in 431 matches, the savings from which are included in overall recordable savings in 7.1 below.

5.4 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.

5.5 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.

6 Recordable savings

- 6.1 In the current financial year 2023/24 the CFST have identified £396,464.36 savings (calculated using national indicators supplied by the Cabinet Office) across the Council and it is anticipated that further significant savings will continue to be realised in the second half of 24/25. (NFI savings are not included)
- 6.2 In the nine and a half years that the Council has been recording 'Cashable and Non-Cashable' savings related to fraud it has achieved just over £11.2 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.
- 6.3 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. DAP will look to assist Plymouth in further maximising its return on these matches in the coming months.
- 6.4 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.

7 Further information for Members

- 7.1 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.

HM Government representatives have confirmed that many Councils and their Wholly Owned Subsidiaries will be in scope.

Guidance expected by the end of the summer 2024 has not been forthcoming, the new legislation will take effect six months from the date that the guidance is issued. The Policy and Strategy will be updated by the next Counter Fraud report whether guidance has been received or not.

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 Fraud is an increasing risk to Council budgets across the country, Plymouth continues to show that it is utilising partnership working to minimise fraud losses and ensure that where possible fraud is prevented and deterred.

- 9.2 DAP will encourage and support further intelligent data driven initiatives, to save money and deal with potential fraud and error across the Council whilst increasing local resilience and awareness.
- 9.3 Now more than ever it is important that the commitment of Plymouth City Councils fight against fraud is recognised and that it is encouraged to continue improving its resilience so that the public purse is protected and Council funding is directed to those who legitimately require the Councils support and services.



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.

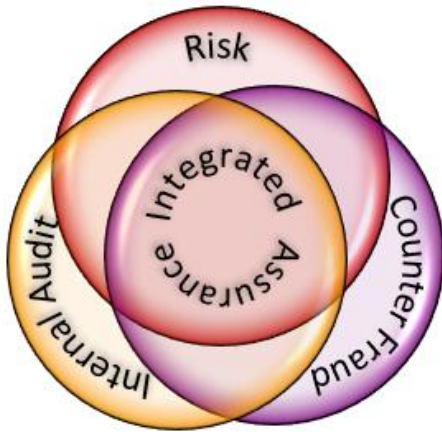
Confidentiality and Disclosure Clause - This report is protectively marked in accordance with the Government Security Classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to 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.



Our Vision

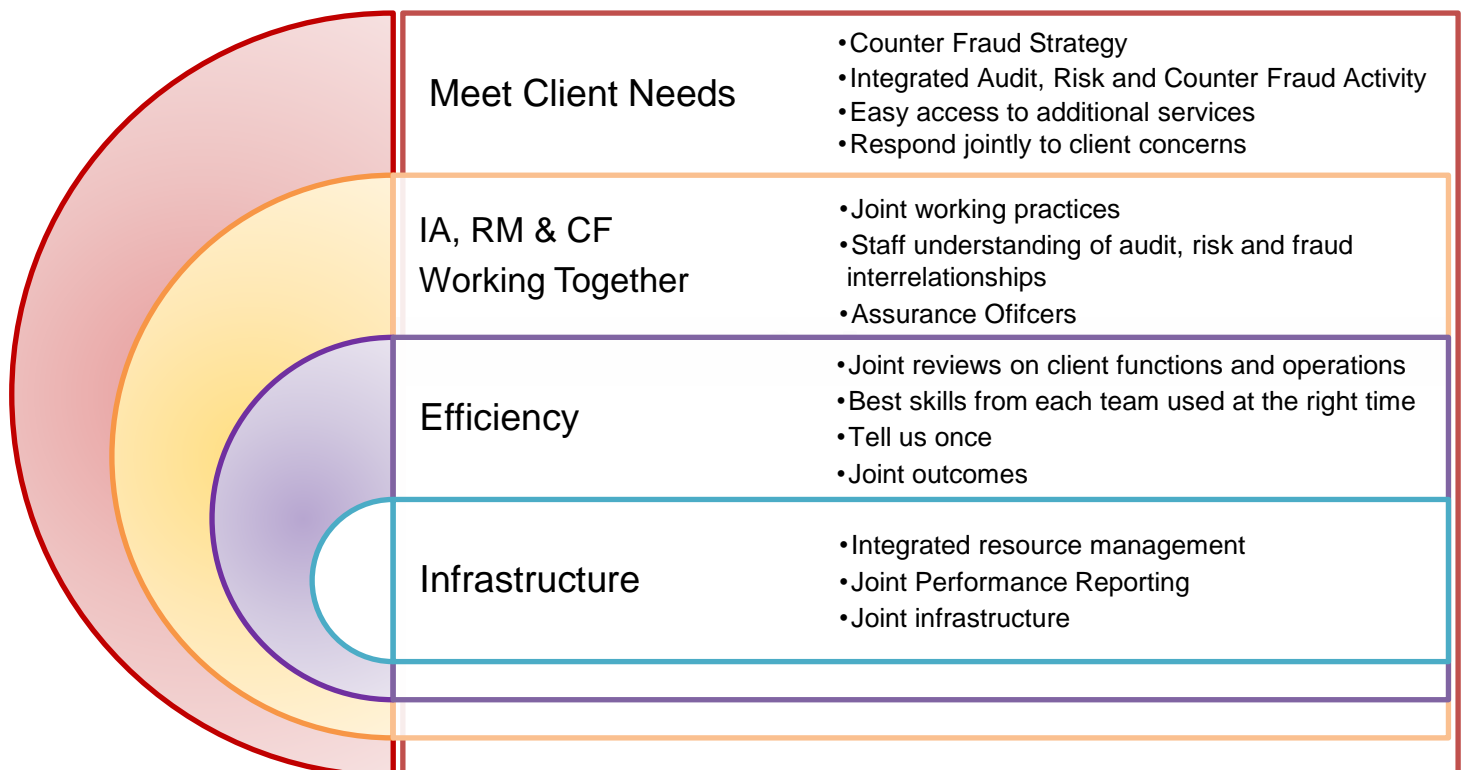
To be the leading provider of assurances services covering internal audit, counter fraud and risk management to public and not-for-profit organisations in the South West and beyond.



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



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Audit and Governance Committee



Date of meeting:	12 November 2024
Title of Report:	Internal Audit Half Year Report 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 Tony Rose, Head of Devon Assurance Partnership
Contact Email:	Louise.clapton@plymouth.gov.uk
Your Reference:	AUD/LC
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

This report provides Members of the Audit and Governance Committee with:

- the Head of Internal Audit's mid-year assurance opinion of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.
- a position statement on the audit work carried out since April 2024;
- the reviews scheduled for quarters 3 and 4;

With the rapid pace of change in local government, we continue to liaise with the management to ensure the audit plan reflects the Councils current risk and pressures and provides most value to the Council in these challenging times. This risk-based approach has resulted in changes to the audit plan, details of which are included in this report.

Recommendations and Reasons

The Audit and Governance Committee are required to:

1. Review and note the mid-year assurance opinion statement within this report.
2. Review and note the findings within this report.

The Public Sector Internal Audit Standards require the Head of Internal Audit to prepare an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides a position statement on the progress towards that opinion.

The Audit Committee are required to consider the assurance as part of the Governance Framework and satisfy themselves from this assurance that the internal control framework continues to be maintained at an adequate level to mitigate risks and inform the Executive for governance requirements.

Alternative options considered and rejected

- I. 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) <i>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.</i>						
		1	2	3	4	5	6	7
A	DAP Internal Audit Half Year Report 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 1 of 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. 110	Leg	LS/00 0036 09/19 /LB/3 1/10/ 24	Mon Off	Click here to enter text.	HR	Click here to enter text.	Asset s	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: 18/10/2024											
Cabinet Member approval: Councillor Mark Lowry (Cabinet Member for Finance) approved via email Date approved: 31/10/2024											

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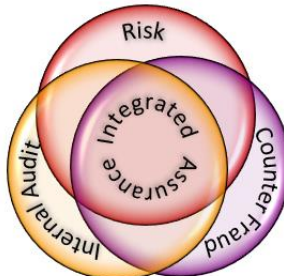


Internal Audit Half Year Report 2024-25

Plymouth City Council Audit & Governance Committee

November 2024

Official



Tony Rose
Head of Devon Assurance Partnership

Jo McCormick
Deputy Head of Devon Assurance Partnership

Louise Clapton
Audit Manager

Introduction

This report provides a summary of the performance against the internal audit plan to date for the 2024/25 financial year, summarising our main findings and recommendations aimed at improving controls where our work has been finalised.

The key objective of the Devon Assurance Partnership (DAP) is to support the Council and provide assurance on the adequacy, security and effectiveness of the systems and controls operating across the organisation.

The Internal Audit plan for 2024/25 was presented to, and approved by, the Audit and Governance Committee in March 2024. However, with the rapid pace of change in local government, we continue to liaise with the management to “flex” the plan as appropriate to ensure that our work focusses on those areas which add most value to the Council in these challenging times.

The Public Sector Internal Audit Standards require the Head of Internal Audit to prepare an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides a position statement on the progress towards that opinion.

Expectations of the Audit and Governance Committee from this half year report

Members are requested to consider:

- the assurance statement within this report,
- the completion of audit work against the plan,
- the scope and ability of audit to complete the audit work,
- any audit findings provided,
- the overall performance and customer satisfaction on audit delivery, and
- review and approve the in-year changes to the audit plan.

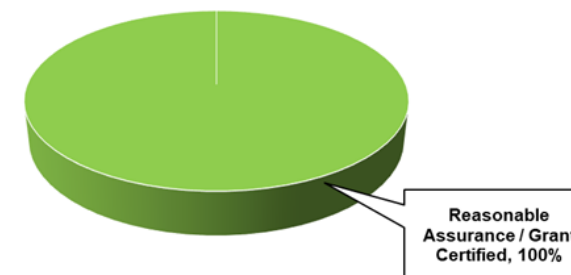
In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework and satisfy themselves from this assurance that the internal control framework continues to be maintained at an adequate level to mitigate risks and inform the Executive for governance requirements.

Opinion Statement

Overall, based on work performed to date during 2024/25 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's mid-year assurance opinion is "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

Work included in the 2024/25 audit plan includes assurance, risk, governance and advisory engagements which, together with prior years audit work, provide a framework and background within which we assess the Authority's control environment. Should any significant weaknesses be identified in specific areas, these would need to be considered by the Authority when preparing its Annual Governance Statement later in the year.

Audit Assurance Opinion
Final Reports Issued



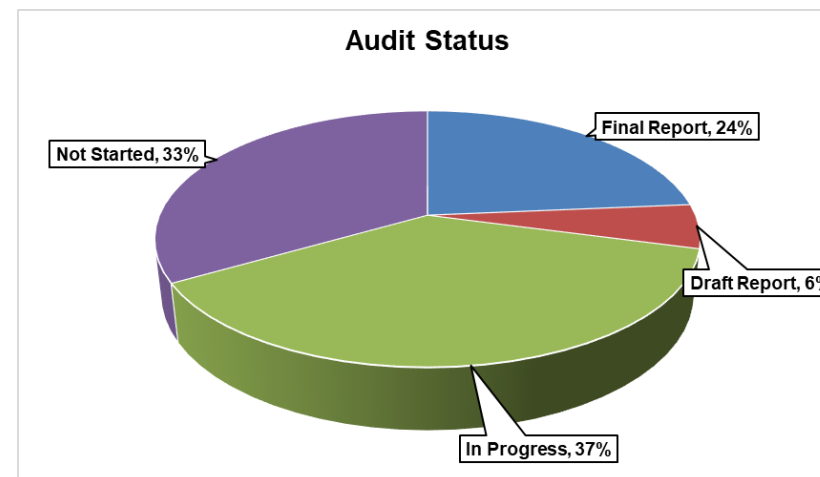
When undertaking reviews, we assess whether key, and other, controls are operating satisfactorily and that exposure to risk is minimised. An opinion on the adequacy of the control environment is provided to management as part of the audit report. All audit reports include an action plan detailing the management responses to be taken to address any risk and control issues identified during a review. Progress with the implementation of 'Limited Assurance' audit action plans are tracked by Internal Audit, the outcomes of the implementation of management actions at the end of Quarter two are presented to this Audit and Governance Committee in an accompanying report.

Substantial Assurance	A sound system of governance, risk management and control exists 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.

Review of Audit Progress

Reasonable progress continues to be made in delivering the 2024/25 Internal Audit Plan. Of the work in the current audit plan 67% is in progress or has been completed, with 100% of final reports providing Reasonable Assurance (this includes grants certified). There have been a few changes to the original Internal Audit Plan agreed in March 2024, these are detailed in Appendix 1 and include:

- New additions to the plan of ASC Client Contribution Income and the LGA Improvement and Assurance Framework.
- A change to the planned audit of Budget Management to include evaluation against CIPFA's Financial Management Code.
- Deferral of Homelessness to enable inclusion of ASC Client Contribution Income.
- Performance Management replaced with Plymouth Local Authority Companies Governance Review.



Assurance work has been completed and draft audit reports issued in relation to Capital Programme and Plymouth Local Authority Companies (Destination Plymouth, Plymouth City Centre Company and Plymouth Waterfront Partnership), both of which were found to have suitable governance and financial control in place, suggestions have been made to strengthen current arrangements where appropriate. We have also completed audits and issued draft audit reports for ASC Service Provider Viability and Fuel Cards, weaknesses in internal control arrangements were identified in these areas and improvements to internal controls recommended.

Our audit of Key Financial Systems, that commenced in quarter two, has a focus this year on Cyber Security and will include evaluation of system security, user training, cyber threat awareness and system data protection. In collaboration with PCC's Digital Systems Teams, as part of the annual user access management exercise, we have undertaken surveys of all Key Financial System users, the results of which are currently being analysed and will be used to inform our audit opinion.

The number of grants received by the Council that require our certification remains high. All 14 grants audited in the year to date have been certified as being in accordance with the requirements of the relevant grant determination. We continue to provide advice to those responsible for delivery of grant funded projects to ensure compliance with grant funding conditions. DAP will soon be undertaking work to identify if there are grant opportunities being taken in one Partner that may be relevant to others. Once complete the findings will be shared. In addition, we have audited five Families with a Future (Payment by Results) monthly claims.

We continue to work with management to ensure audit work is prioritised and completed in accordance with the risk and audit need requirements that best reflects the rapidly changing environment that the Council is operating in. This may result in further changes to audit coverage. A table showing the current status of audits planned for 2024/25 and their associated reported assurance opinions is contained at Appendix 1.

Fraud Prevention and Detection

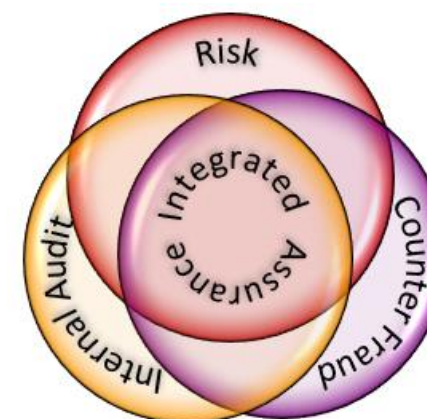
Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Cabinet Office runs a national data matching exercise, The National Fraud Initiative (NFI), every two years. The latest national data matching exercise is currently in progress and Devon Assurance Partnership continue to be the point of contact between the Cabinet Office and the Council for this mandatory biannual exercise in fraud prevention and detection. Once data matches from this latest data matching exercise are received actioned will be taken by both PCC and DAP staff to provide maximum assurance and minimise potential fraud losses. Details of this and other fraud prevention and detection work undertaken in 2024/25 are reported in the Counter Fraud 2024/25 Half Year Report and Update.

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. Furthermore, we work closely with the Councils Risk Management lead.

This joined up approach help 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 on the work being undertaken.



Partnership working with other auditors

We will continue to develop and maintain effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We participate in a range of internal audit networks, both locally and nationally which provide for a beneficial exchange of information and practices with the aim of improving the effectiveness and efficiency of the audit process, through avoidance of instances of “re-inventing the wheel” in new areas of work.

Internal Audit Progress 2024/25 - Audit Status and Assurance Opinion

Appendix 1

Audit Area	Status	Opinion	Audit Summary / Comment	Total Agreed Actions	Management Actions			
					H	M	L	O
Main Accounting System 2023/24	Final	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	Final	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
Risk Management 2023/24	Final	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.	4	0	3	0	1
Deprivation of Liberty Safeguards (DoLS) Eclipse Module	Final	Reasonable	<p>Migration of DoLS data to Eclipse was completed in August 2023. Migration spreadsheets were made available to audit and demonstrated testing had been carried out after the migration to ensure the accuracy and completeness of DoLS data in Eclipse. Further random cases were also selected, checked and the accuracy and completeness of DoLS information verified on Eclipse to source documentation.</p> <p>Input of new DoLS referrals to Eclipse was successfully implemented in July 2023, however, some functionality issues have been highlighted that need to be resolved or</p>	4	0	4	0	0

			<p>there is a risk that reliance will continue to be placed on inefficient manual systems and the full benefits of implementing Eclipse not realised.</p> <p>Devon Assurance Partnership were unable to provide assurance in relation to the automated DoLS statutory return as the 2023/24 return has been compiled manually from data in the DoLS spreadsheet, rather than run from Eclipse. This is likely to continue for the 2024/25 return with further tests required on the DoLS statutory return tool.</p>					
Fully Catered	Final	Reasonable	<p>Reasonable assurance is provided that Fully Catered LTD accounts for 2022/23 and 2023/24 are accurate and complete. This is demonstrated by:</p> <ul style="list-style-type: none"> • Keeping appropriate financial records throughout the year. • Keeping appropriate expenditure records and maintaining VAT records. • Expected income is fully received, properly recorded and promptly banked. • Year end and periodic bank reconciliations are undertaken promptly. • Fixed assets valuations are supported by accurate, complete and timely supporting Fixed Asset Registers and Inventories. • Accruals and prepayments are correctly identified, accounted for and stated at year end. 	5	0	3	1	1
Supporting Families PBR Claim Quarter 1 (April - June 2024)	Final	Certified	In accordance with MHCLG programme guidance three monthly payment by results claims have been checked and verified prior to submission and we certified the first quarterly claim by the 26th June 2024 deadline. The Council target for 2024/25 is to achieve successful outcomes for 609 families, PBR's were claimed for 80 (13%) families, resulting in £64,000 of funding to the Council.	N/A Mandatory Grant Certification				
SWLEP Growth Deal, Charles Cross	Final	Certified	In accordance with South West LEP 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.	N/A Mandatory Grant Certification				
SWLEP Growth Deal Northern Corridor Traffic Signals	Final	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.	N/A Mandatory Grant Certification				

SWLEP Growth Deal Eastern Corridor Strategic Cycle Network	Final	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.	N/A Mandatory Grant Certification				
SWLEP Growth Deal Plymouth Railway Station	Final	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.	N/A Mandatory Grant Certification				
SWLEP Get Building Fund Plymouth Business Parks	Final	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.	N/A Mandatory Grant Certification				
SWLEP Growth Deal Oceansgate Phase 1	Final	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.	N/A Mandatory Grant Certification				
Plymouth Active Leisure (PAL) Financial Reconciliations 2024/25	Final	Reasonable	<p>Financial reconciliation procedures provide 'Reasonable Assurance' that Plymouth Active Leisure's income and payments are accurately and completely stated in Civica General Ledger from which Financial Statements are produced. This was demonstrated by:</p> <ul style="list-style-type: none"> Defined roles and responsibilities of PCC Accountants and Plymouth Active Leisure in processing, recording and reconciling income and payments. Comprehensive procedures in place for the reconciliation of income and payments. Reconciliation of income and payments undertaken regularly, promptly and subject to review. Retention of supporting financial information. Discrepancies identified, investigated and action taken. <p>At the time of the audit the Gladstone Control Account never fully reconciled, action is being taken with the support of Corporate Service Accountants to resolve this. In addition, there is a £3bn balance on Plymouth Active Leisure suspense, this is due to a known system error where the Gladstone system is recognising the member id/sales id number as the value of a session. Action is being taken to resolve this with software supplier Gladstone.</p>	3	1	1	1	0
On Course South West 2024/25	Final	Reasonable	On Course South West's overall governance, risk and financial management arrangements provide reasonable assurance that risks to the achievement of its objectives are mitigated, supporting its ongoing viability, sustainability and	4	0	3	0	1

			<p>effectiveness in the medium to long term. This was demonstrated through:</p> <ul style="list-style-type: none"> • Defined governance structures, accountability and roles and responsibilities. • Clear strategy, policy and plans, linking to Plymouth City Councils Corporate Priorities, Strategy 4 Skills and the City's wider growth agenda. • Risk management arrangements that identify, assess, mitigate, manage, monitor and report risks and opportunities associated with adult education activities including potential threats and uncertainties. • Adult Education Service delivery provided internally or subcontracted in accordance with AEB, (ASF from 01/08/2024) and ESFA funding requirements. • Subcontracted service delivery procured in accordance with ESFA requirements and contract standing orders, with procurement regulations, procedures and processes adhered to in the selection of education providers. • Robust contracts awarded following appropriate due diligence and effective contract management arrangements in place to monitor performance and compliance. • Payment for subcontracted service delivery subject to control and agreement, and in accordance with accordance with Financial Regulations, Standing Orders and financial system requirements. • Financial management arrangements compliance with financial regulations and grant funding terms and conditions. <p>Our opinion is based on revised governance arrangements which are still in their infancy, however once embedded and integrated this should provide substantial assurance that governance and operational delivery is effective and efficient.</p> <p>Opportunities should be taken to ensure appropriate and consistent oversight at DMT and elected member level, and to develop robust performance reporting that includes KPI metrics aligned with the wider skills and growth agenda that</p>						
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			can be used to support strategic decisions and inform future delivery plans.					
Supporting Families PBR Claim Quarter 2 (July - September 2024)	Final	Grant Certified	In accordance with MHCLG programme guidance two monthly payment by results claims have been checked and verified prior to submission and we certified the second quarterly claim by the 25th September 2024 deadline. The Council target for 2024/25 is to achieve successful outcomes for 609 families, PBR's were claimed for 92, resulting in an overall claim to date of 172 families (28% against target) families, resulting in £137,600 of funding to the Council.	N/A Mandatory Grant Certification				
DFT LCTB Integrated Transport 2024-25	Final	Grant Certified	In accordance with DFT Integrated Transport Block 2023/24 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 2023/24.	N/A Mandatory Grant Certification				
DFT Highways Maintenance Needs Element 2024-25	Final	Grant Certified	In accordance with DFT Highways Maintenance Needs Element 2023/24 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 2023/24.	N/A Mandatory Grant Certification				
DFT Highways Maintenance Incentive Element 2024-25	Final	Grant Certified	In accordance with DFT Highways Maintenance Incentive Element 2023/24 grant conditions we undertook the annual audit of the statement of grant usage. Grant funding of £323k was awarded to Plymouth City Council for 2023/24.	N/A Mandatory Grant Certification				
DFT Highways Maintenance Additional Element 2024-25	Final	Grant Certified	In accordance with DFT Highways Maintenance Additional Element 2023/24 grant conditions we undertook the annual audit of the statement of grant usage. Grant funding of £366k was awarded to Plymouth City Council for 2023/24.	N/A Mandatory Grant Certification				
DFT Pothole Fund 2024-25	Final	Grant Certified	In accordance with DFT Pothole Action Fund 2023/24 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 2023/24.	N/A Mandatory Grant Certification				
DFT Traffic Signal Obsolescence 2024-25	Final	Grant Certified	In accordance with DFT Traffic Signal Obsolescence Fund 2023/24 grant conditions we undertook the annual audit of the statement of grant usage. Grant funding of £75k was awarded to Plymouth City Council for 2023/24.	N/A Mandatory Grant Certification				
Fuel Cards 2024/25	Draft	Limited	Fuel card expenditure is not subject to review and agreement to ensure legitimate council expense. Immediate action has been taken by Internal Audit to track down all 193 fuel cards preventing the need to issue a 'No Assurance' audit opinion. Through enquiries it has been determined that 111 fuel cards are no longer needed and	15	12	3	0	0

			<p>should be cancelled. Action is also being taken by Children's Services and Street Services to strengthen service operational controls.</p> <p>Without robust corporate controls and monitoring systems in place, Plymouth City Council could incur significant losses. Fuel cards can be susceptible to fraudulent activity, including unauthorised purchases or misuse by employees, leading to inflated fuel expenses and potential misuse of public funds. Lack of oversight and accountability mechanisms can further exacerbate this risk.</p> <p>A lack of business rationale in relation to Council wide fuel usage including fuel card usage can contribute to environmental pollution and carbon emissions. Local authorities need to balance the convenience of fuel cards with their environmental impact and consider strategies for reducing emissions. Managing fuel cards also requires administrative effort, including tracking transactions, reconciling accounts, and overseeing compliance with usage policies, without sufficient processes the Council will not efficiently manage this administrative burden.</p> <p>The Council should undertake a review to understand the Councils future need requirements, including whether fuel cards provide value for money, align with the Councils net zero plan and if there are better alternative options available to PCC through fleet services, including electronic fleet and hire vehicles.</p>					
ASC Service Provider Viability 2024/25	Draft	Limited	<p>The action taken by the Council with regard the closure of a Care Home in respect of requests for advance payments and the subsequent closure of the home should be acknowledged. Many of the residents were very elderly and The Council has a duty of care to them to ensure the closure was dealt with as sensitively as possible, and to find homes for all of them before the home closed for good. All residents were found alternative accommodation prior to closure.</p> <p>The chronology which was kept of the developing situation was comprehensive and all decisions were taken collectively by managers. However, the lack of documented processes and the ad-hoc monitoring of ASC</p>	4	3	1	0	0

			<p>providers provides only 'Limited Assurance' that identification and management of the risk of the potential failure of adult social care providers is mitigated.</p> <p>With residential care home contracts due to be recommissioned next year, there is an opportunity for commissioners to strengthen contracts and contract management arrangements to enable the ongoing viability of providers to be monitored and early intervention taken.</p>					
Capital Programme 2024/25	Draft	Reasonable	<p>The Capital Programme is considered to be subject to adequate governance arrangements. The Financial Regulations, Scheme of Delegation and draft Capital Handbook are considered to provide a suitable control framework (policy, procedures and guidelines, including structures, roles and responsibilities, are in place/or awaiting agreement) to effectively govern the Capital Programme.</p> <p>Based on the composition of the Capital Officer Programme Group (CPOG) and the Capital Programme Board (CPB), and the key roles of the Section 151 Officer, Portfolio Holder for Finance and Leader, and the role of the "Growth and Infrastructure Overview and Scrutiny Committee", oversight is considered to be suitably independent. We have found the Capital Programme to be monitored and reported extensively.</p> <p>Established approval and reporting demonstrate the level of stakeholder involvement throughout the lifecycle of the Capital Programme to be adequate.</p> <p>However, there are areas where the control framework could be further strengthened. A focus on Risk Management, enhanced standards reporting and increased visibility across projects/programmes is essential to continued effective management of the Capital Programme.</p>	6	1	2	2	1
Plymouth Local Authority Companies - Governance Review 24-25	Draft	Reasonable	<p>We have found there to be adequate governance and financial controls in place regarding Destination Plymouth, Plymouth City Centre Company and Plymouth Waterfront Partnership on which this audit focussed.</p> <p>There are areas where the control framework can be improved.</p>	23	4	11	4	4

			<ul style="list-style-type: none"> • Reporting company performance/activity to appropriate committees to provide wider more transparent oversight. • Strengthening risk management arrangements. • Implementing routine bank account reconciliations and strengthening bank account access arrangements. • Implementing comprehensive documented governance and finance policies and procedures. • Implementing segregation of duties within finance/payments system. <p>The Companies Governance Framework paper to cabinet of the 9th September 2024, if agreed and put in place, should provide a greater level of oversight and scrutiny from Members. These proposed changes, and actions to address our observations would result in an improved, more robust, governance and internal control framework.</p>					
Purchasing Cards 2023/24	In Progress	-	<p>To provide assurance on effectiveness of the control framework to manage fuel cards used by the council and mitigate the following risk areas:</p> <ul style="list-style-type: none"> • Central oversight and direction on the use of fuel cards is not sufficient resulting in additional costs or failure to achieve savings. • Procedures to use fuel cards are not comprehensive or clearly defined or are not followed increasing risk related to misuse or incorrect use. • Line Management checks and counter Fraud reviews are not undertaken increasing risk related to fraud and error. 	Currently In Progress				
ASC Debt Management 2024/25	In Progress	-	<p>To provide the Council with an opinion on the internal control arrangements to mitigate the risk of accumulating ASC debt leading to budget deficits, affecting the ability to provide essential services and meet other financial obligations. This will consider processes in place to pursue debts within Adult Social Care (ASC) to maximise income for the Council whilst supporting vulnerable service users who struggle to pay and addressing those who "won't pay".</p>	Currently In Progress				
Freeport (Plymouth & South Devon) - Governance and Decision Making 2024/25	In Progress	-	<p>To provide assurance that the processes and procedures for managing the governance structures and meetings established by the Plymouth and South Devon Freeport (PSDF) are in place, operating effectively and that the risk</p>	Currently In Progress				

			of weak governance structure leading to ineffective decision making and organisational outcomes not being achieved as intended is sufficiently mitigated.	
Income Collection 2024/25	In Progress	-	To assess the adequacy of income collection arrangements in ensuring that all income due is received accurately, completely, and on time and to provide assurance that the internal control framework mitigates the risk of failing to maximise income collection, increasing the pressure on budgets, the uncertainty over financial sustainability and impacting the Council's ability to deliver its services.	Currently In Progress
Business Rates System 2024/25	In Progress	-	To assess and evaluate the internal control frameworks in place to mitigate the risk of: <ul style="list-style-type: none"> Failing to maximise Business Rates collection, increasing the pressure on budgets, the uncertainty over financial sustainability and impacting the Council's ability to deliver its services. Successful cyber-attack, system is not technically secure, users are insufficiently trained, unaware of the threats they face or how to protect themselves and system data. 	Currently In Progress
Council Tax System 2024/25	In Progress	-	To assess and evaluate the internal control frameworks in place to mitigate the risk of: <ul style="list-style-type: none"> Failing to maximise Council Tax collection, increasing the pressure on budgets, the uncertainty over financial sustainability and impacting the Council's ability to deliver its services. Successful cyber-attack, system is not technically secure, users are insufficiently trained, unaware of the threats they face or how to protect themselves and system data. 	Currently In Progress
Creditors System 2024/25	In Progress	-	To assess and evaluate the internal control frameworks in place to mitigate the risk of: <ul style="list-style-type: none"> Inappropriate, inaccurate, untimely or unauthorised payments, fraud or unreliable financial data, leading to an increase in budget pressures, expenditure exceeds resources in the Medium-Term Financial Plan, inability to deliver Council Service and non-compliance with procurement and payment legislation. Successful cyber-attack, system is not technically secure, users are insufficiently trained, unaware of the threats they face or how to protect themselves and system data. 	Currently In Progress

Debtors System 2024/25	In Progress	-	<p>To assess and evaluate the internal control frameworks in place to mitigate the risk of:</p> <ul style="list-style-type: none"> Failing to ensure all sundry debt due to the Council is recovered, increasing the pressure on budgets, the uncertainty over financial sustainability and impacting the Council's ability to deliver its services. Successful cyber-attack, system is not technically secure, users are insufficiently trained, unaware of the threats they face or how to protect themselves and system data. 	Currently In Progress
Housing Benefits 2024/25	In Progress	-	<p>To assess and evaluate the internal control frameworks in place to mitigate the risks of:</p> <ul style="list-style-type: none"> Housing Benefit and Council Tax Support paid inappropriately and, in an untimely manner. Successful cyber-attack, system is not technically secure, users are insufficiently trained, unaware of the threats they face or how to protect themselves and system data. 	Currently In Progress
Main Accounting System 2024/25	In Progress	-	<p>To evaluate and report on the adequacy and effectiveness of the internal control framework of the Main Accounting System (MAS) to mitigate the risk if:</p> <ul style="list-style-type: none"> Ineffective financial management, failing to ensure PCC remains viable, stable and effective in the medium to long term. Successful cyber-attack, system is not technically secure, users are insufficiently trained, unaware of the threats they face or how to protect themselves and system data. 	Currently In Progress
Cyber Assessment Framework 2024/25	In Progress	-	<p>To provide assurance on the effectiveness of arrangements to mitigate the risk of a successful Cyber-attack, including the Councils cyber security and resilience arrangements not being aligned with industry good practice to minimise the impacts of adverse cyber events.</p>	Currently In Progress
The Plymouth Alliance	In Progress	-	<p>To provide assurance on the effectiveness of governance, risk and contract management arrangements in place to mitigate the risk of inadequate service delivery can lead to compromised support for individuals with complex needs, including the risk of homelessness, substance abuse relapse, and worsening mental health conditions. This will include:</p> <ul style="list-style-type: none"> Financial management including budgetary controls and financial reporting. 	Currently In Progress

			<ul style="list-style-type: none"> Compliance including documentation of policies, governance of sub-contracts and adherence to relevant legislation. Operational management including performance reports, risk management and communication with stakeholders. Reputational control including collating feedback and engagement strategies. 	
ASC Client Contribution Income 2024-25	In Progress	-	NEW addition , at the request of the Strategic Director of Adults Health and Communities the objective of this audit is to provide assurance to Plymouth City Council that all ASC client contribution income due is correctly calculated and charged accurately, completely, and on time.	Currently In Progress
Procurement / Purchasing Systems 2024/25	Not Started	-	Planned quarter 3	Not Yet Started
Risk Management 2024/25	Not Started	-	Planned quarter 4	Not Yet Started
Supporting Families PBR Claim Quarter 3 (October - December 2024)	Not Started	-	Planned quarter 3	Not Yet Started
Supporting Families PBR Claim Quarter 4 January - March 2025)	Not Started	-	Planned quarter 4	Not Yet Started
Children's Independent Placements 2024/25	Not Started	-	Planned quarter 4	Not Yet Started
SEND 2024/25 Follow Ups	Not Started	-	Planned quarter 4	Not Yet Started
Emergency Accommodation Payments 2024/25	Not Started	-	Planned quarter 3	Not Yet Started
Disabled Facilities Grant 2023-24	Not Started	-	Planned quarter 3	Not Yet Started
Business Support Provision 2024/25	Not Started	-	Planned quarter 3	Not Yet Started
ASC Income - Joint Funded Care Packages 2024/25	Not Started	-	Planned quarter 3	Not Yet Started
CSC to ASC Transitions 2024/25	Not Started	-	Planned quarter 3	Not Yet Started
Tree Management Policy and Procedures 2024/25	Not Started	-	Planned quarter 4	Not Yet Started
Public Health Audit Plan 2024/25	Not Started	-	Planned quarter 4	Not Yet Started

Payroll System 2024/25	Not Started	-	Planned quarter 3	Not Yet Started
Treasury Management System 2024/25	Not Started	-	Planned quarter 3	Not Yet Started
Management of Grant Funding 2024/25	Not Started	-	Planned quarter 4	Not Yet Started
Financial Management Code Budget Management 2024/25	Not Started	-	CHANGE , at the request of the Service Director for Finance and S151 Officer the scope and objective of this audit has been extended to include evaluation against CIPFA's Financial Management Code.	Not Yet Started
Declarations of Interest 2024/25 (Follow Up)	Not Started	-	Planned quarter 3	Not Yet Started
IR35 (Follow Up) 2024/25	Not Started	-	Planned quarter 3	Not Yet Started
DBS and Independent Safeguarding (Follow Up) 2024/25	Not Started	-	Planned quarter 3	Not Yet Started
ICT User Access Management 2024/25	Not Started	-	Planned quarter 3	Not Yet Started
ICT Asset Management 2024/25	Not Started	-	Planned quarter 4	Not Yet Started
Constitutional Review 2024/25 - Financial Regulations & Standing Orders	Ongoing	Advisory	Advise on the revision of Financial Regulations and Contract Standing Orders.	N/A Advisory
Chief Executive Advice 2024/25	Ongoing	Advisory	Provision of ad hoc real time advice throughout 2024/25 to support mitigate risk and /or transformational change, this has included: <ul style="list-style-type: none"> Proposed changes to the Whistleblowing Policy. 	N/A Advisory
Children's Improvement Plan 2024/25	Ongoing	Advisory	To identify areas for audit assurance in consultation with management and independently as appropriate and inform overall assurance opinion for Children's Services. Manage audit plan to align with CQC Improvement Plan in real time to accommodate highest priority work.	N/A Advisory
Eclipse Project Board - Phase 3 2024/25	Ongoing	Advisory	To attend Eclipse Project Board, to provide advice and assurance as appropriate as the Eclipse Finance module is implemented.	N/A Advisory
CQC Improvement Plan 2024/25	Ongoing	Advisory	To identify areas for audit assurance in consultation with management and independently as appropriate and inform overall assurance opinion for Adults, Health and Communities. Manage audit plan to align with CQC	N/A Advisory

			Improvement Plan in real time to accommodate highest priority work.	
Place Advice 2024/25	Ongoing	Advisory	Provision of ad hoc real time advice throughout 2024/25 to support mitigate risk and /or transformational change, this has included: <ul style="list-style-type: none"> Proposed changes to PEC / PCC Strategic Partnership Agreement. Capital Programme Board Terms of Reference. 	N/A Advisory
PCC South West Devon Waste Partnership 2024-25	Ongoing	Advisory	DAP continue its participation with the Partnership, attending Project Executive meetings.	N/A Advisory
Resources Advice 2024/25	Ongoing	Advisory	Provision of ad hoc real time advice throughout 2024/25 to support mitigate risk and /or transformational change, this has included: <ul style="list-style-type: none"> Provision of information to CIPFA Review 	N/A Advisory
Grants Advice, Planning, Monitoring 2024/25	Ongoing	Advisory	Provision of ad hoc real time advice throughout 2024/25 to support grant funding, management and assurance.	N/A Advisory
Payroll System (iTrent) Implementation 2024/25	Ongoing	Advisory	To attend appropriate project board meetings/working groups, to provide advice and assurance as appropriate as the iTrent Payroll System is implemented.	N/A Advisory
Corporate Information Management 2024/25	Ongoing	Advisory	Participation with the Partnership, attending Project Executive meetings.	N/A Advisory
LGA Improvement and Assurance Framework	Not Started	Advisory	NEW addition , at the request of the Chief Executive and Section 151 this work will consider, input and support Plymouth City Council in its self-assessment against the LGA's Improvement and Assurance Framework.	N/A Advisory
Homelessness	Deferred	N/A	The inclusion of ASC Client Contribution Income at the request of the Strategic Director for Adults, Health and Communities has deferred this work. We will continue to work with management to ensure this work is completed in accordance with risk and audit need requirements.	N/A Deferred
Performance Management 24/25	Removed	N/A	In consultation with the Head of Governance, Performance and Risk it was agreed to remove this audit from the plan. This has been replaced with the PCC Companies Governance audit for which a higher audit need assessment was identified with the Head of Finance.	N/A Removed from plan

Devon Assurance Partnership

The 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.

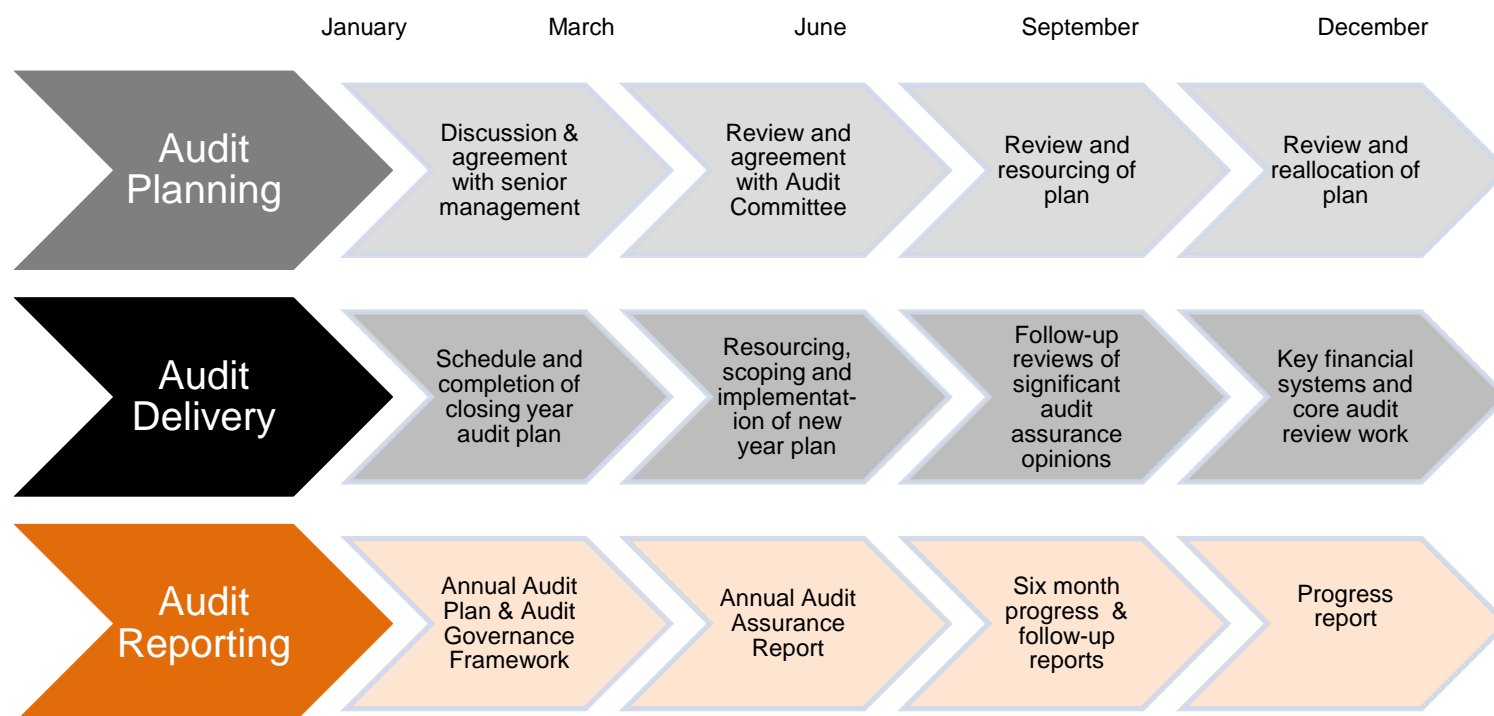
The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at tony.d.rose@devon.gov.uk.

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.

Audit Delivery Cycle



PSIAS Conformance - Devon Assurance 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 2024. This is supported through DAP self-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 are undergoing review and revision. The proposed new standards which are likely to take effect in 2025 and this document helps clarity and raise awareness of the audit committee's governance roles and responsibilities in respect of this. [IIA Document – Draft Standards](#).

Audit and Governance Committee



Date of meeting:	12 November 2024
Title of Report:	Internal Audit Management Action Tracker Q2 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

To note the implementation of internal 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 applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12 of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Internal Audit Management Action Tracker Q2 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) <i>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.</i>						
	1	2	3	4	5	6	7

Sign off:

Fin	DJN. 24.25. 113	Leg	LS/00 0036 09/20 /LB/3 1/10/ 24	Mon Off	N/A	HR	N/A	Assets	N/A	Strat Proc	N/A
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: 16/10/2024											
Cabinet Member approval: Councillor Mark Lowry (Cabinet Member for Finance) via email											
Date approved: 31/10/2024											



Internal Audit Half Year Report 2024-25

Plymouth City Council Audit & Governance Committee

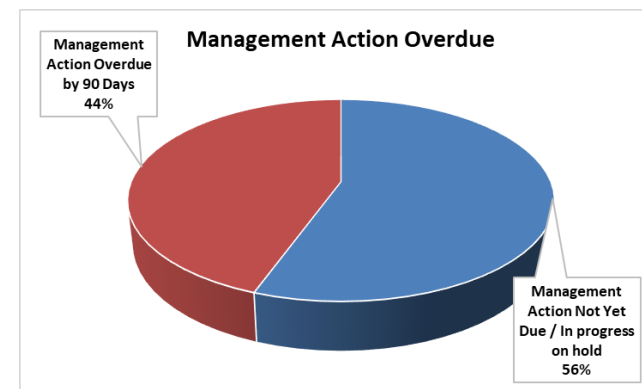
November 2024

Official

Plymouth City Council Audit Recommendation – Management Action Progress to 30/09/2024

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 30th September 2024 there were fourteen 'Limited Assurance' audits that had management action outstanding, unchanged from the quarter one reported to the July Audit and Governance Committee.

The table below sets out all those Limited Assurance audits, the number of high and medium priority recommendations made, and 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 51 (41%) have been implemented and 72 (58%) remain outstanding, of which 32 (44%) are now overdue. Whilst the number of management actions overdue has significantly increased from 3%, as at quarter one, progress has been made with 88% partially implemented with expected completion due in quarters three and four.



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	Deprivation of Liberty Safeguards Module (Eclipse) 2023/24	Limited Assurance	-	4	-	1	-	1	-	-
Adults Health and Communities	Client Financials Services (CFS)	Limited Assurance	5	7	3	3	-	1	3	2
Children's	Special Guardianship Orders F/Up 2023/24	Limited Assurance	2	5	-	4	-	-	-	4
Childrens	CYPF Additional Spend	Limited Assurance	2	5	1	4	1	4	-	-
Childrens	SEND Governance 2023/24	Limited Assurance	3	2	2	1	-	-	2	1
Childrens	SEND Decision Making 2023/24	Limited Assurance	3	7	1	5	-	-	1	5

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 Commissioning and Contracting 2023/24	Limited Assurance	9	3	6	2	-	-	5	2
Childrens	SEND Monitoring and Evaluation 2023/24	Limited Assurance	2	5	1	5	-	-	1	3
Resources	See Part 2 Report	Limited Assurance	2	8	2	1	-	-	2	1
Resources	Debtors 2023/24	Limited Assurance	5	5	1	3	-	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		72		34		32	

* 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	
Adults, Health and Communities	Client Financial Services	Limited Assurance	-	3	1	1	<p>Recognise need to follow up on all debts, additional resource recruited in Feb 24 but team reduced in Oct 24 and not able to recruit. Income Recovery Team prioritise 10k report. Ongoing issues with availability of Legal Team resource. Many cases need legal support however there is not the resource within the Legal Team to cope with the number of cases we need to send to them.</p> <p>Financial Assessment backlog continues to reduce and processing times are below 28 day target. Recruitment to CFS Team from end October 24, will ensure continued reduction in assessments outstanding. The income recovery team does not have resources to follow up every invoice as quickly as we would like.</p> <p>Business case has been submitted for an assessment tool (Better Care Finance) which will lead to more people being aware quicker of what their charge will be and it is hoped that this will change the view of ASC debt, as the most popular reason for non-payment is currently an unawareness of the need to pay, the self-assessment tool will mean service users advised of charge upfront raising awareness of need to pay, reducing number of those resistant to this and so easier for IR Team to follow up.</p> <p>Management action also reliant on implementation of Eclipse phase three and training.</p>

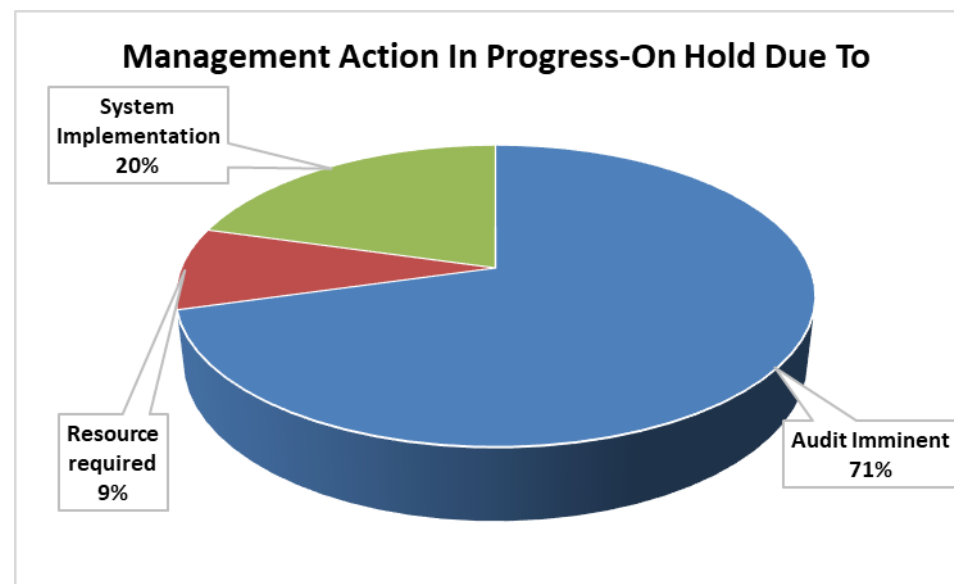
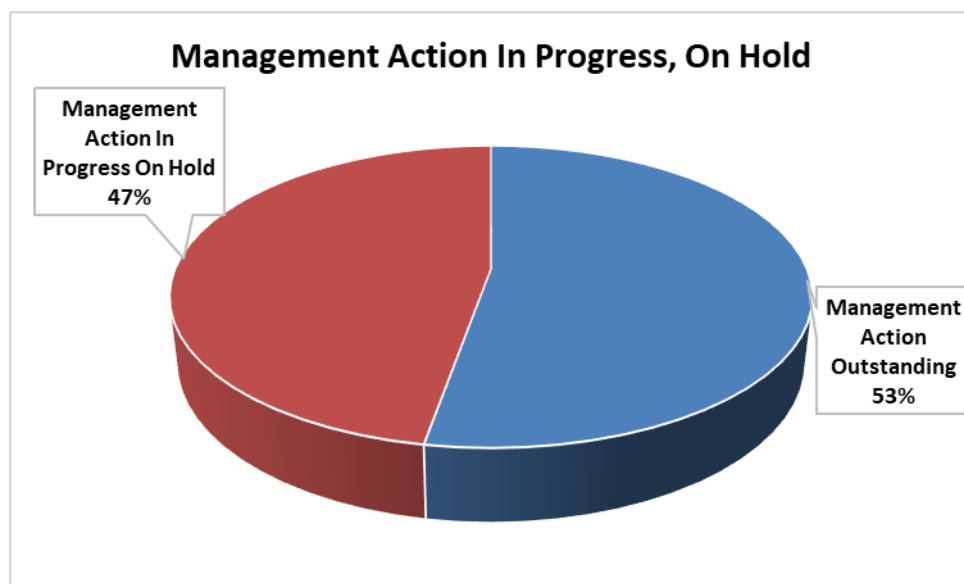
Directorate	Audit Area	Assurance Opinion	Status of Progress for Management Action overdue by 90 days+				Internal Audit Update / Comment
			High		Medium		
			Management Action Not Yet Taken	Partially Implemented	Management Action Not Yet Taken	Partially Implemented	
Children's Services	Special Guardianship Orders	Limited Assurance	-	-	-	4	A new SGO Support Team has been established and launched in October 2024, work is underway to finalise SGO Support Policy and processes. Significant progress has been made to implement management action and is on target to have all actions fully implemented by end of November 2024
Children's Services	SEND Governance	Limited Assurance	-	2	-	1	The strategy has been drafted and will be shared with the EPS SLT for comment prior to signoff. SEND comms strategy in place and new landing page due October 2024, with action plan of priorities. A follow up audit of SEND Governance is scheduled for quarter four.
Children's Services	SEND Decision Making	Limited Assurance	-	1	-	5	Decision making is now clear through the decision making groups with appropriate collaboration with both the finance and commissioning team. Processes are in draft and under review. The assessment panel is currently having a 6 month review post implementation and terms of reference will be updated accordingly. Joint funding panel process is under review. Process maps have been drafted but are under review following growth of the Team. A follow up audit of SEND Governance is scheduled for quarter four.
Children's Services	SEND Commissioning and Contracting	Limited Assurance	3	2	-	2	A review of capita system is underway. The 0-25 and EP trackers have been aligned - this will support the SEND commissioning. Commissioning contracts backlog has been a key area of focus during the summer and is largely cleared. There is now a provisional plan to move the individual contracting and tracking of payments to the newly formed Brokerage team which sits in CYPF. The team has had to be recruited to so the date of transfer is not yet confirmed. The SEND commissioning officer will

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	
							<p>work with the Brokerage team manager to finalise the plan.</p> <p>A follow up audit of SEND Governance is scheduled for quarter four.</p>
Children's Services	SEND Monitoring and evaluation	Limited Assurance	-	1	-	3	<p>Growth on the annual review team for fixed term will add capacity to this work. Capita system overhaul is supporting the logging of data and the team have received training. There is a new ARO allocated to priority groups for attendance suspension / exclusion. From November with new staffing there will be allocations to other key groups.</p> <p>The Head of SEND and SEND commissioner are working together to refine the tracking of packages, monitoring of placements and refining of information needed. There is now an ISP approval form and also a personal budget / EOTAS form for the SEND team to populate to ease the commissioning process.</p> <p>Placement reviews and visits have now started between the Head of SEND and SEND commissioner. This will monitor general attendance and raise and priorities on a regular basis. The new ARO allocated to attendance will work closely with the inclusion team to review any learners of concern.</p> <p>Meetings with all providers by the Head of SEND and SEND commissioner have started this term and will be diarised for the year with regular review points. Commissioners attend the regular Peninsula QA group, which shares information about quality issues in relation to commissioned placement providers, including education. The data cleanse and associated</p>

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	
							staffing did not start until September 2024. This is now in progress A follow up audit of SEND Governance is scheduled for quarter four.
Resources	Part 2 Report	Limited Assurance	-	2	-	1	See Part 2 Report.
			3	11	1	17	
Total management actions outstanding 90 days +			32				

Plymouth City Council Audit Recommendation – Status of management action in progress, on hold.

Of the 72 management actions outstanding 34 (47%) are currently in progress on hold the charts below summarises the reason for this position.



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The following relates to exempt or confidential matters (Para(s) 3 of Part 1, Schedule 12A of the Local Govt Act 1972). Any breach of confidentiality could prejudice the Council/person/body concerned & might amount to a breach of the councillors /employees codes of conduct.

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Audit and Governance Committee



Date of meeting:	12 November 2024
Title of Report:	Treasury Management Mid-Year Report 2024/25
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Service Director for Finance)
Author:	Wendy Eldridge, Lead Accountancy Manager
Contact Email:	Wendy.eldridge@plymouth.gov.uk
Your Reference:	Finance/WE/TMMY 24-25
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

The Local Government Act 2003 requires the Council to set out its Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy. The Council's Strategy for 2024/25 was approved by full Council at its budget meeting on 8 March 2024.

This report provides an update on the progress and outcomes against the Treasury Management Strategy for the six-month period ended 30 September 2024. It is a requirement of the CIPFA Code of Practice on Treasury Management that a mid-year report, as a minimum, should be presented to City Council.

Recommendations and Reasons

1. To note the Mid-Year Treasury Management Report 2024/25;
2. To note non-compliance to Prudential indicator for interest rate exposure through upper limit on fixed interest rate exposure being exceeded.

Reason: This is to comply with the CIPFA Code of Practice and discharge our statutory requirement.

Alternative options considered and rejected

1. It is a statutory requirement under the Local Government Act 2003 and supporting regulations to set an annual treasury strategy for borrowing and prepare an annual investment strategy. The Council has adopted the CIPFA Code of Practice for Treasury Management.

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:

Treasury Management affects the Council’s budget in terms of borrowing costs and investment returns. The Treasury Management Strategy sets the authorised limits and operational boundaries within which investment and borrowing decisions are taken and risks managed. Effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

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:

No direct implications.

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.*

A robust Treasury Management Strategy is key to ensuring a successful delivery of our Medium Term Financial Strategy and ensuring the Council can achieve its objectives to be a Pioneering, Growing Caring and Confident City.

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>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.</i>						
		1	2	3	4	5	6	7
A	Treasury Management Mid-Year Report 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) <i>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.</i>						
	1	2	3	4	5	6	7

Sign off:

Fin	CH. 24.25. 038	Leg	LS/ 0000107 5/2/ 31/10/24	M on Of f	N/A	HR	N/A	Asset s	N/A	Strat Proc	N/A
Originating Senior Leadership Team member: David Northey											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 29/10/2024											
Cabinet Member approval: Councillor Mark Lowry (Cabinet Member for Finance) <i>Approved by email</i> Date approved: 31/10/2024											

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TREASURY MANAGEMENT MID YEAR REPORT 2024/25



1. Introduction

- 1.1 This report is to provide the Audit and Governance Committee and the Council with a mid-year review of the Council's treasury management activities for the first 6 months to 30 September 2024.
- 1.2 The Council has borrowed 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 Council's treasury management strategy.
- 1.3 The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice yearly (mid-year and at year end).
- 1.4 The report includes the requirement in the 2021 Code, of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators will be incorporated in the Authority's normal quarterly report.
- 1.5 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Council's Capital Strategy and the Council's Treasury Management Strategy for 2024/25 were approved by full Council on 12 February 2024.
- 1.6 The Council contract with Arlingclose to provide Treasury Management advice which has been incorporated with external contexts below.

2. External Context October 2024

- 2.1 **Economic background:** UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally to June to 2.2% in July and August, as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August.
- 2.2 The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July.

- 2.3 Labour market data was slightly better from a policymaker perspective, showing an easing in the tightness of the job market, with inactivity rates and vacancies declining. However, a degree of uncertainty remains given ongoing issues around the data collected for the labour force survey by the Office for National Statistics. Figures for the three months to July showed the unemployment rate fell to 4.1% (3mth/year) from 4.4% in the previous three-month period while the employment rate rose to 74.8% from 74.3%.
- 2.4 Over the same period average regular earnings (excluding bonuses) was 5.1%, down from 5.4% in the earlier period, and total earnings (including bonuses) was 4.0% (this figure was impacted by one-off payments made to NHS staff and civil servants in June and July 2023). Adjusting for inflation, real regular pay rose by 2.2% in May to July and total pay by 1.1%.
- 2.5 With headline inflation lower, the BoE cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. The decision was finely balanced, voted by a 5-4 majority with four members preferring to hold at 5.25%. At the September MPC meeting, committee members voted 8-1 for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%. The meeting minutes and vote suggested a reasonably hawkish tilt to rates, with sticky inflation remaining a concern among policymakers.
- 2.6 The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027. Unemployment was forecast to stay around 4.5% while inflation was shown picking up in the latter part of 2024 as the previous years' energy price declines fell out of the figures before slipping below the 2% target in 2025 and remaining there until early 2027.
- 2.7 Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.
- 2.8 The US Federal Reserve (the Fed) also cut interest rates during the period, reducing the Federal Funds Rate by 0.50% to a range of 4.75%-5.00% at its policy meeting in September. The forecasts released at the same time by the central bank suggested a further 1.00% of easing is expected by the end of the calendar year, followed by the same amount in 2025 and then a final 0.50% of cuts during 2026.
- 2.9 Having first reduced interest rates in June, the European Central Bank (ECB) held steady in July before cutting again in September, reducing its main refinancing rate to 3.65% and its deposit rate to 3.50%. Unlike the Fed, the ECB has not outlined a likely future path of rates, but inflation projections remain in line with the central bank's previous forecasts where it will remain above its 2% target until 2026 on an annual basis.
- 2.10 **Financial markets:** Sentiment in financial markets continued to mostly improve over the period, but the ongoing trend of bond yield volatility remained. The general upward trend in yields in the early part of the period was reversed in the later part, and yields ended the half-year not too far from where they started. However, the volatility in response to economic, financial and geopolitical issues meant it was a bumpy ride for bond investors during that time.

- 2.11 Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.00% but hit a high of 4.41% in May and a low of 3.76% in mid-September. While the 20-year gilt started at 4.40% and ended at 4.51% but hit a high of 4.82% in May and a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.12% over the period to 30th September.
- 2.12 **Credit review:** Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.
- 2.13 Having had its outlook increased by Fitch and ratings by S&P earlier in the period, Moody's upgraded Transport for London's rating to A2 from A3 in July.
- 2.14 Moody's also placed National Bank of Canada on Rating Watch for a possible upgrade, revising the outlook on Standard Chartered to Positive, the outlook to Negative on Toronto Dominion Bank, and downgrading the rating on Close Brothers to A1 from Aa3.
- 2.15 S&P upgraded the rating on National Bank of Canada to A+ from A, and together with Fitch, the two rating agencies assigned Lancashire County Council with a rating of AA- and A+ respectively.
- 2.16 Credit default swap prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.
- 2.17 Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

3. Local Context

- 3.1 On 31st March 2024, the Authority had net borrowing of £650m 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 I below.

Table Ia: Balance Sheet Summary

	31/03/24 Actual £m
General Fund CFR	866
Less: Other debt liabilities *	(104)
Borrowing CFR	762
Less: Usable reserves	(107)
Less: Working capital	(1)
Net borrowing	656

* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

- 3.2 At 31 March 2024 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £904m, with usable reserves £107m which is broken down in table below:

Table Ib: Usable Reserve Summary

	£m
General Fund Balance	9
Earmarked General Fund	44
Capital Receipts reserve	14
Capital Grants Unapplied	40
Balance as at 31 March 2024	107

- 3.3 The treasury management position on 30th September 2024 and the change over the six months is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.24 Balance £m	Movement £m	30.9.24 Balance £m	Average Rate %
PWLB – Fixed Rate				
Short-term borrowing	483	0	483	3.32
LOBO Loans	85	0	85	0.97
Long Term Borrowing	64	(5)	59	4.36
	18	0	18	4.37
Total borrowing	650	(5)	645	3.16
Short-term Money Market funds	23	8	31	4.99
Other Pooled Funds	55	(1)	54	5.30
Cash and cash equivalents	1	0	1	1.88
Total investments	79	7	86	5.17
Net borrowing	571	(12)	559	

- 3.4 The Council has an increasing CFR over the next 5 years due to spending on the capital programme, but will maintain their investments and will therefore require borrowing of up to £50m over the current year based on capital monitoring as at 30 September 2024

4. Borrowing Strategy and Activity

- 4.1 As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low 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. At the present time short term interest rates are higher than long term interest rates.
- 4.2 After substantial rises in interest rates since 2021 many central banks have now begun to reduce rates, albeit slowly. Gilt yields were volatile over the 6-month period and have reduced slightly between April and September 2024. Much of the downward pressure from lower inflation figures was counteracted by upward pressure from positive economic data. Data from the US continues to impact global bond markets including UK gilt yields.

- 4.3 The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the half year and 4.79% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.01% to 5.57% during the half year, and 50-year maturity loans from 4.88% to 5.40%.
- 4.4 Whilst the cost of short-term borrowing from other local authorities spiked to around 7% in late March 2024, primarily due a dearth of LA-LA lending/borrowing activity during the month, as expected shorter-term rates reverted to a more normal range and were generally around 5.00% - 5.25%.
- 4.5 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Authority has no new plans to borrow to invest primarily for financial return.
- 4.6 The Authority currently holds £200m+ in commercial investments primarily for financial return that were purchased prior to the change in the CIPFA Prudential Code. Before undertaking further additional borrowing the Authority will review the options for exiting these investments.
- 4.7 **Loans Portfolio:** At 30 September the Authority held £645m of loans, a decrease of £5m compared to 31st March 2024 . Outstanding loans on 30th September are summarised in Table 3 below.

Table 3a: Borrowing Position

	31.3.24 Balance £m	Net Movement £m	30.9.24 Balance £m	30.9.24 Weighted Average Rate %
PWLB – Fixed Rate	483	0	483	3.32
Short-term borrowing	85	0	85	0.97
LOBO Loans	64	(5)	59	4.36
Long Term Borrowing	18	0	18	4.37
Total borrowing	650	(5)	645	3.16

- 4.8 The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing; this reduces risk and keeps interest costs lower.

- 4.9 The Council has not changed its PWLB borrowing since April. However, it has £72m borrowed for 12 months reaching maturity January - March 2025, plans are being developed to replace subject to competitive rates being secured and interest rate risk being mitigated. This borrowing will hold a refinancing risk which is being included within its medium term financial plan for 2025/26.
- 4.10 The Council draws down collateral against the hedging arrangement when valuations allow, this was used to repay short-term borrowing maturing in the same month.
- 4.11 The Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long-term borrowing was maintained.
- 4.12 There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.
- 4.13 The UK Infrastructure Bank is one alternative source of funding which offers funding at gilt yields + 0.40% (0.40% below the PWLB certainty rate) and the possibility of more flexible funding structures than the PWLB. Funding from UKIB is generally only available for certain types of projects that meet its criteria of green energy, transport, digital, water and waste. The minimum loan size is £5 million.
- 4.14 **LOBO loans:** On 1st April 2024 the Authority held £64m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate and terms or to repay the loan at no additional cost.
- 4.15 As market interest rates rose, it increased the probability of call options on the LOBOs being exercised by lenders. £10m of LOBO loans had annual/semi-annual call option dates during the six-month period to September 2024, lenders exercised options on the following of the Authority's loan:

Table 3b: LOBO's Called In

	Amount £m	Rate %	Final Maturity	New Rate Proposed	Action Taken by Authority
Dexia Credit Local	5	4.04	30/08/2077	5.52	repaid

- 4.16 The Authority has £34m LOBO loans with call dates within the next 12 months. The Authority has liaised with treasury management advisors Arlingclose over the likelihood of the options being exercised. If the option is exercised and an increased rate proposed, the Authority plans to repay the loan at no additional cost as accepting the revised terms would mean the Authority would still have refinancing risk in later years. If required, the Authority will repay the LOBO loans with available cash or by borrowing from other local authorities or the PWLB.

5. Treasury Management Budget 2024/25 and Latest Forecast

The Authority measures the financial performance of its treasury management activities in terms of its impact on the revenue budget as show in table below.

Currently a forecast underspend of £1.884m is projected due to securing new borrowing in first six months below the 5.5% set in Treasury Management Strategy together with higher balances invested in money market funds which have received higher than 5% interest target.

Table 5: Treasury Management revenue position

Position at 30 September 2024	2024/25 Budget	2024/25 Latest Forecast	Year End Variance
	£m	£m	£m
Interest Payable	24.331		
LOBO and other long term loans		3.461	
PWLB (Public Works Loan Board)		16.006	
Temporary loans		1.567	
Other Interest and charges		1.808	
Recharge to Departments for Unsupported Borrowing (in accordance with business cases)	(18.650)	(18.083)	
Total Interest Payable	5.681	4.759	(0.922)
Interest Receivable	(4.355)		
Pool Funds		(2.942)	
Money Market Fund		(1.842)	
Other Interest		(0.282)	
Total Interest Receivable	(4.355)	(5.066)	(0.711)
Other Payments	0.564	0.313	
Debt Management	0.160	0.160	
Transfer to Reserves - Miel			
Amortised Premiums	0.544	0.544	
Total Other Charges	1.268	1.017	(0.251)
Minimum Revenue Provision	19.850	19.850	0.000
TOTAL	22.444	20.560	(1.884)

Favourable variances in (brackets)

6. Treasury Investment Activity

- 6.1 The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use during business.
- 6.2 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the half year, the Authority's investment balances ranged between £79m and £86m due to timing differences between income and expenditure. The investment position during the half year is shown in the table below.

Table 6: Treasury Investment position

Investments	Balance 01/04/2024 £m	Movement £m	Balance 30/09/2024 £m	Weighted Average Rate %
Short Term Investments				
Banks and call accounts	1	0	1	1.88
Money Market Fund	23	8	31	4.99
Long Term Investments				
CCLA Pooled Funds	25	0	25	4.54
Other Funds	30	(1)	29	5.95
TOTAL INVESTMENTS	79	7	86	5.17

- 6.3 Both the CIPFA Code and government guidance requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its 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.
- 6.4 As demonstrated by the liability benchmark (14.6) in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income.
- 6.5 Bank Rate reduced from 5.25% to 5.00% in August 2024 with short term interest rates largely being around these levels.

Externally Managed Pooled Funds:

- 6.6 £55m of the Authority's investments is invested in externally managed strategic pooled bond, equity, multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.
- 6.7 The first six months of 2024/25 were marked by ongoing market volatility, with global bond yields remaining elevated, although trending downward as policymakers kept rates at a restrictive level in light of persistent core inflation until nearly the end of the period, when the MPC, Federal Reserve, and ECB began to deliver rate cuts and signal a shift towards loosening monetary policy.
- 6.8 Stock markets across the UK, Europe, and US were buoyed by hopes of rate cuts over the first half of the period. UK equities saw growth in small and mid-sized companies while the US continued to be supported by its strong IT sector, especially growth in AI companies which continued to outperform. IT names performed well in the Eurozone as well while consumer discretionary stocks declined. Towards the end of the period, market volatility spiked after worries about a US recession coincided with Japan's central bank cutting interest rates, leading to the unwinding of the popular Yen 'carry trade'. This saw a huge selloff in equities globally, but markets quickly recovered without lasting impact. Slowdown in the Chinese economy and ongoing geopolitical tension in the Middle East and Europe continue to weigh on investor sentiment but are somewhat offset by the loosening of monetary policy and prospect of further rate cuts. The FTSE All Share index was marginally lower at the end of the 6-month period at 4529 on 30/9/24 v 4338 on 31/3/24. The MSCI All Countries World Index was higher at 3,723 on 30/9/24 v 3438 on 31/3/24.
- 6.9 After a sustained period of high interest rates, central banks began to reverse course towards second half of the year. The European Central Bank began to cut rates in June, the Bank of England delivered its first rate cut in August, and the Federal Reserve surprised markets with an outsized rate cut of 50bps in September. The stabilisation in interest rates and well telegraphed move towards rate cuts, albeit at a much more conservative pace than previously expected, has allowed fund managers to position for a falling rate environment. This in turn has led to some improvement in capital values of the Authority's longer-dated bond funds during the six-month period and, to a lesser extent, the multi-asset funds.
- 6.10 UK commercial property values started to stabilise, then improve slightly towards the end of the period, with interest rates being cut from their peak and investor attention turning to the timing of further interest rate cuts. Transaction activity remains somewhat subdued but signs of recovery in the occupier and rental markets as well as moderate economic growth and further falling interest rates are hoped to be favourable for an improving property sector outlook over the medium term. Capital growth is expected to be gradual while income levels remain strong for many sub-sectors.
- 6.11 The combination of the above had a marginal effect on the combined value of the Authority's strategic funds since March 2024. Income from the Authority's cash plus / short bond funds has stayed broadly stable.

- 6.12 The change in the Authority's funds' capital values and income return over the 6-month period is shown in Table 4.
- 6.13 Income returns remained above budget at 5.17%. The Authority had budgeted £4.355m income from these investments in 2024/25 and are now forecasting £5.067m.
- 6.14 Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year minimum period total returns will exceed cash interest rates.
- 6.15 **Statutory override:** In April 2023 the Ministry for Housing, Communities and Local Government 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 for 2 years until 31st March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not

7. Non-Treasury Investments

- 7.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in the Governments Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.
- 7.2 The Council also holds £200m+ of investments in directly owned property as part of the Property Regeneration Fund as at 30th September 2024.
- 7.3 The non-treasury investments in the Property Regeneration Fund (completed projects) are forecast to generate £3.138m of investment income for the Council after taking account of direct costs and service borrowing, representing a rate of return of 1.5%.

8. Other Debt Activity

- 8.1 Although not classed as borrowing, the Council also raises capital finance via Private Finance Initiative (PFI) and finance leases etc. As at 30 September 2024, the total debt was £113m including PFI £93m, Tamar Bridge and Torpoint Ferry (PCC's share) £19m and Finance leases £1m. The Council has raised no additional PFI borrowing during the period to 30 September 2024.

9. MRP Regulations

- 9.1 On 10th April 2024 amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7th May 2024 sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan.

- 9.2 The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets).

10. Compliance with Prudential Indicators

- 10.1 The Chief Finance Officer reports that all treasury management activities undertaken during the half year complied fully with the principles in the Treasury Management Code and the Authority's approved Treasury Management Strategy or explain the areas of non-compliance. Compliance with specific investment limits is demonstrated in table 7 below.

Table 7: Investment Limits

	30.9.24 Actual	2024/25 Limit	Complied
Any group of funds under the same management	£25m	£25m	✓
Investments held in a broker's nominee account	£0	£25m	✓
Foreign countries	£0	£0m	✓
Registered Providers	£0	£10m	✓
Unsecured investments with Building Societies	£0m	£10m	✓
Loans to unrated corporates	£0m	£20m	✓
Money Market Funds (maximum held)	£62m	unlimited	✓

- 10.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table below.

Table 8: Debt & Authorised Limit and Operational Boundary

Operational Boundary	30.09.24 Actual £m	2024/25 Limit £m	Complied
Borrowing	645	850	✓
Other long-term liabilities	113	219	✓
Total Debt	758	1069	✓

Authorised Limit	30.09.24 Actual £m	2024/25 Limit £m	Complied
Borrowing	645	900	✓
Other long-term liabilities	113	269	✓
Total Debt	758	1169	✓

- 10.3 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

11. Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

11.1 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.

	30.09.24 Actual	2024/25 Target	Complied
Portfolio average credit rating	A	A	✓

11.2 Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments.

11.3 Interest Rate Exposures:

This indicator is set to control the Authority's exposure to interest rate risk. Bank Rate dropped by 0.25% from 5.25% on 1st April to 5.00% by 30th September. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed was:

	30.09.24 Actual	2024/25 Target	Complied
Upper limit on fixed interest rate exposure	87%	85%	X
Upper limit on variable interest rate exposure	13%	45%	✓

The Council continued with decisions to reduce its exposure to interest rate risk during 2023/24 and 2024/25 by continuing to use fixed rate borrowing arrangements through PWLB where rates compared competitively to other local authorities.

Fixed rate investments and borrowings are those where the rate of interest is fixed for more than 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Due to shortage of LA to LA borrowing in last quarter of 2023/24 planned borrowing through this route became more affordable through PWLB.

11.4 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 fixed rate borrowing were:

	30.09.24 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	28%	50%	20%	✓
12 months and within 24 months	2%	25%	0%	✓
24 months and within 5 years	14%	25%	0%	✓
5 years and within 10 years	1%	25%	0%	✓
10 years and above	55%	80%	50%	✓

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.

- 11.5 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 will be:

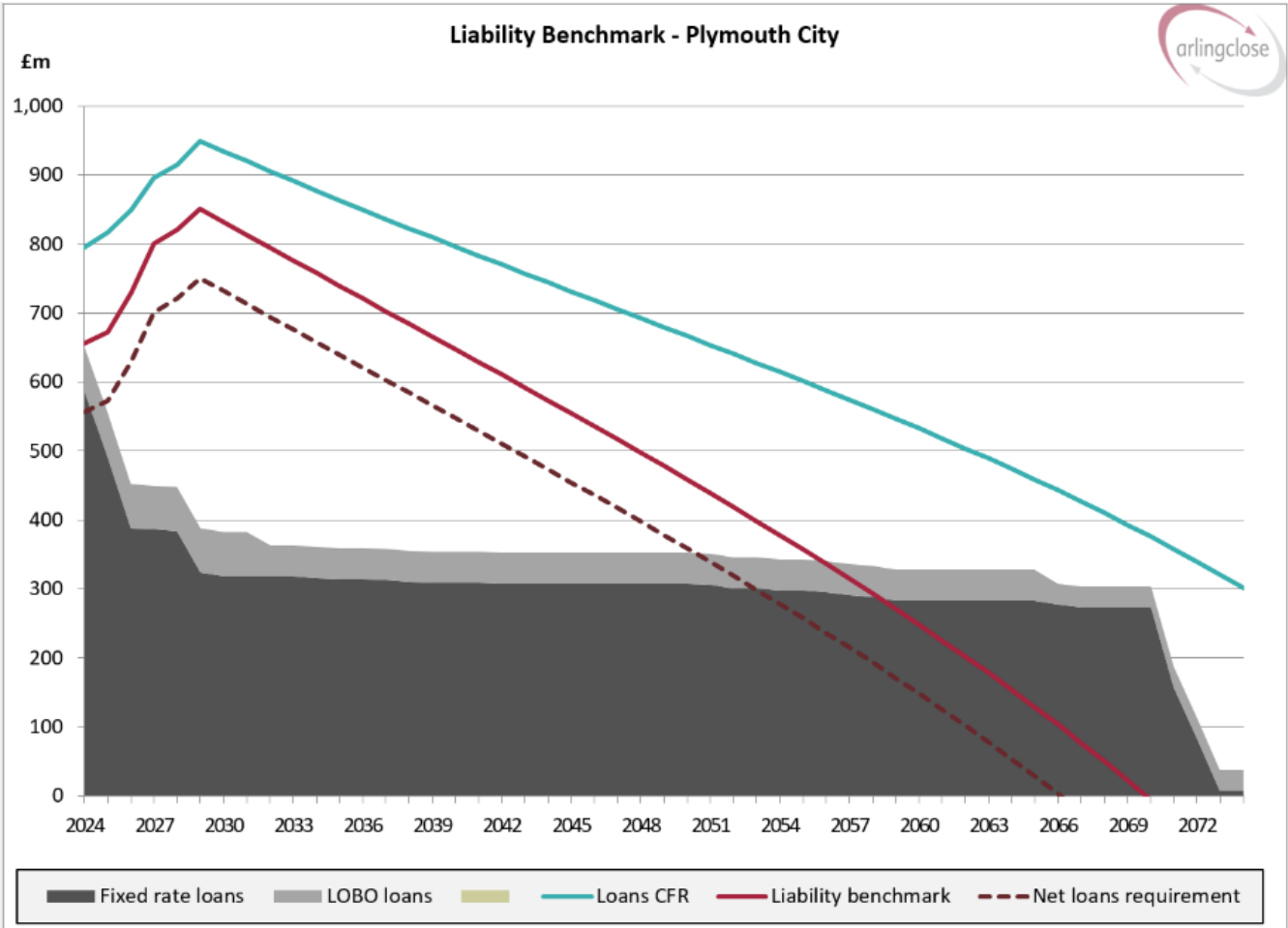
	30.09.24 Actual	Maximum Target	Complied
Limit on principal invested beyond year end	£0m	£10m	✓

The Council does, however, has £27m invested in the CCLA Pooled Funds £25m in other pooled investment funds which the Council is holding the investment for the long term. However, these investments are classified as a short-term investment because it can be called upon at any point.

- 11.6 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 of £45m required to manage day-to-day cash flow.

	31.3.24 Actual £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m
Loans CFR	795.2	816.8	849.1	895.4
Less: Balance sheet resources	(239.5)	(244.5)	(219.5)	(194.5)
Net loans requirement	555.7	572.4	629.6	700.9
Plus: Liquidity allowance	100.0	100.0	100.0	100.0
Liability benchmark	655.7	672.4	729.6	800.9
Existing Borrowing	664.1	572.1	467.1	464.5

Liability Benchmark chart



12 Investment Training

During the period to 30 September 2024 officers have attended the following Treasury Management training:

- Arlingclose Meetings – The Council’s joint party Treasury Management Board Meetings with members and officers
- CIPFA – Treasury Management workshop
- Grant Thornton – Statement of Accounts closedown workshop
- Arlingclose weekly Treasury Management

13 Arlingclose’s Economic and Interest rate Forecast as at 23 September 2024

	Current	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	5.00	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Downside risk	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50

13.1 In line with our forecast, the MPC held Bank Rate at 5% in September.

- 13.2 The MPC will continue to cut rates to stimulate the UK economy but will initially be cautious given lingering domestic inflationary pressure. We see another rate cut in 2024 (Q4), but more significant monetary easing in 2025, with Bank Rate falling to a low of around 3%.

14 Recommendations

1. To note the Treasury Management Mid-Year Report 2024/25.
2. Note non-compliance to Prudential indicator for interest rate exposure through upper limit on fixed interest rate exposure being exceeded..

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Audit and Governance Committee



Date of meeting:	12 November 2024
Title of Report:	Treasury Management Strategy 2025/26
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Service Director for Finance)
Author:	Wendy Eldridge (Lead Accountancy Manager Capital and Treasury Management)
Contact Email:	Wendy.eldridge@plymouth.gov.uk
Your Reference:	Finance/WE/TMS 2025-26
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

This report sets out the Treasury Management Strategy for 2025/26 and includes the Annual Investment Strategy, the Non-Treasury Management Investment Strategy and the Minimum Revenue Provision Statement.

These reports are required by The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services.

Recommendations and Reasons

1. To recommend the Treasury Management Strategy 2025/26, that incorporates the authorised limits, operational boundaries and prudential indicators, to City Council for approval.

Reason: This is to comply with the CIPFA Code of Practice and discharge our statutory requirement.

Alternative options considered and rejected

1. It is a statutory requirement under the Local Government Act 2003 and supporting regulations to set an annual treasury strategy for borrowing and prepare an annual investment strategy. The Council has adopted the CIPFA Code of Practice for Treasury Management.

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:

Treasury Management affects the Council's budget in terms of borrowing costs and investment returns. The Treasury Management Strategy sets the authorised limits and operational boundaries within which investment and borrowing decisions are taken and risks managed. Effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

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:

No direct implications

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.*

A robust Treasury Management Strategy is key to ensuring a successful delivery of our Medium-Term Financial Strategy and ensuring the Council can achieve its objectives to be a Pioneering, Growing Caring and Confident City.

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>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.</i>						
		1	2	3	4	5	6	7
A	Treasury Management Strategy 2025/26							

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) <i>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.</i>						
	1	2	3	4	5	6	7

Sign off:

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Treasury Management Strategy 2025/26



Councillor Mark Lowry
Cabinet Member for Finance

This Strategy demonstrates the network of controls that are in place to provide confidence in the way we management of our investments and borrowing.

It also demonstrates our commitment to sound management and control of the Council's cash and investments and forms a key strand of the Medium Term Financial Strategy and Budget.

David Northey
Service Director for Finance (S151 Officer)

This Strategy is designed to underpin the Council's ambition to invest in the future of Plymouth. The strategy sets out a framework within which the Council's treasury management needs and risks can be managed successfully.

The recent turbulence with the financial markets and world economy has had an impact upon borrowing and investment rates of interest. This Strategy will help support the council in responding to this volatility in the short to medium term.

The strategy will keep us within our prescribed limits under the Prudential Code.

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Introduction

Treasury Management is the management of the Council's cash flows, borrowing and investments, and the associated risks. Of necessity, the Council borrows and invests substantial sums of money and is therefore exposed to financial risks including the effects of changing interest rates.

This Treasury Management Strategy sets out how the Council will invest to meet future Infrastructure needs in an affordable way.

INVESTMENTS – FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

- To achieve the best secure investment returns
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles
- To balance risk against return

Market Intelligence

- Bank of England reports
- Market Outlook by the Council's advisers Arlingclose

Statutory and Performance Framework <i>Rules that guide us</i>	Investments <ul style="list-style-type: none"> • Sterling only • Can use UK Government, Local Authority or a body of high credit quality. • The Council defines “high credit quality” organisations and securities as those having a credit rating of [A-] or higher and domiciled in UK
	Counterparties and Limits (see table on page 20)
	Investment Limits – subject to Counterparty table on page 20 <ul style="list-style-type: none"> • Unlimited UK Government • Unlimited Money Market Fund • £25m any single local authority or government entity • £25m secured investment. • £10m per Bank (unsecured) • £20m unrated corporates • £60m Strategic Pooled Funds • £10m Real estate investment
	Key Council Budget Assumption for 2025/26 <ul style="list-style-type: none"> • Investments make an average rate of return of 5%
Approach <i>Choices made within the framework</i>	Objective - Security first, Liquidity second and then Yield. Strategy - to maximise returns, reduce risk and diversify investments. Risk Assessment and credit ratio - Our advisors monitor credit ratings daily so any new investments will be made using the latest credit information. Other information on security of Investments - Market intelligence from our advisors may give warnings before credit warning changes e.g., credit default swaps information

BORROWING – FACTS AT A GLANCE

Principles and Objectives of the Treasury Management Strategy

- To minimise the cost of borrowing
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles

Market Intelligence

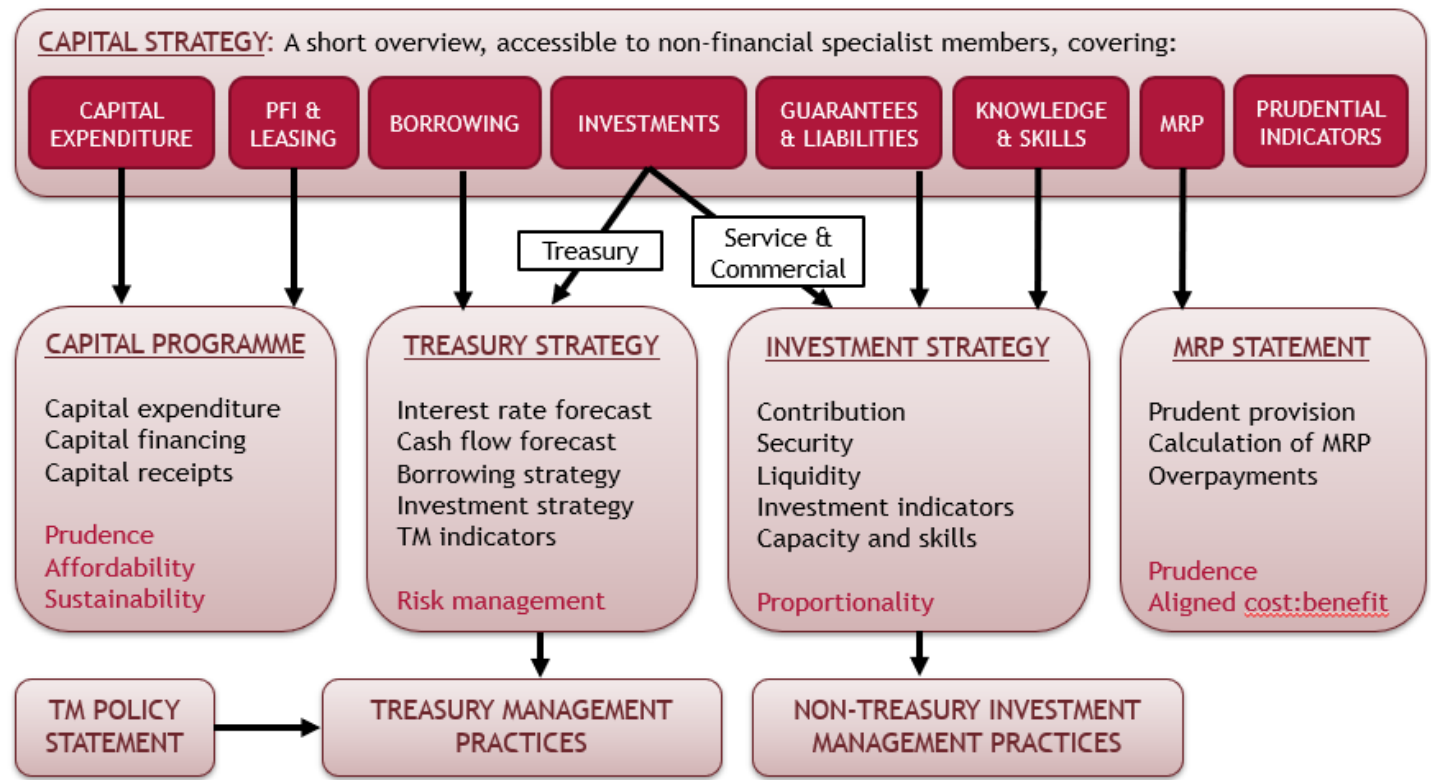
- Bank of England reports
- Market Outlook by the Council's advisers Arlingclose

Statutory and Performance Framework <i>Rules that guide us</i>	Borrowing <ul style="list-style-type: none"> • £69m Total Capital Expenditure • £997m Capital Finance Requirement (need to borrow) • £837m Total Debt (loans and private finance initiative) • £1054m Operational Boundary (practical ceiling on borrowing) • £1104m The Authorised Limit (absolute maximum debt approved)
	Prudential Indicators <ul style="list-style-type: none"> • 21.33% Ratio of finance costs to net revenue stream (borrowing costs as a proportion of net revenue budget)
	Treasury Management Indicators <ul style="list-style-type: none"> • 90% Limit on Fixed Interest Exposure • 50% Limit on Variable Interest Rate • 0% to 80% Maturity Structure of Borrowing, exposure in any duration
	Minimum Revenue Provision Policy (MRP) <ul style="list-style-type: none"> • Annuity Method • PFI/Leases can be charged on an annuity method over the life of the asset. • Option for capital receipts to be used towards repaying debt
	Key Council Budget Assumption for 2025/26 <ul style="list-style-type: none"> • New long-term loans will cost an average rate of 4.5%
Approach <i>Choices made within the framework</i>	<p>Objective - The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. In addition to ensure required short term borrowing is held to maximise benefit from hedging arrangement.</p> <p>Strategy Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.</p>

	<p>Sources of Finance - Banks or Building Society, Public Works Loan Board, Pension Funds, Capital Market Bonds, Municipal Bonds Agency, anyone with whom we would invest. Also, Leasing, PFI, Sale & Lease back</p> <p>LOBOs With interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Authority will take the option to repay LOBO loans to reduce refinancing risk in later years</p> <p>Municipal Bonds Agency Council will use where appropriate as this is a more complicated source of finance. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.</p> <p>Debt Restructuring A present value calculation based on current rates for the same period of loan may result in a discount or premium.</p> <ul style="list-style-type: none">• Council will re-schedule if it reduces cost or risk
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The diagram below shows how Capital expenditure affects the Treasury Management Strategy

Strategy Reports: England



The diagram above shows how the requirements of the Ministry Housing, Communities and Local Government (MHCLG) Guidance and The CIPFA Code interact with the Capital and Treasury Management. There is a new Capital Strategy (presented in a separate document) and a new Non-Treasury Management Investment Strategy (shown as service and commercial in the diagram) included in this document.

Specialist advisers Arlingclose support the Council with borrowing and investment advice. This is Arlingclose’s expert assessment of the economy in the coming months and years.

Economic background as at September 2024: As expected, the MPC held Bank Rate at 5.0% in September. While the “no change” majority of eight to one was unexpectedly strong, the minutes suggested some policymakers believed a gradual approach to loosening policy was warranted given the persistence of services inflation, rather than no loosening at all. This is in line with our long-held view that Bank Rate will initially reduce gradually before a more rapid decline in 2025 as services inflation eases.

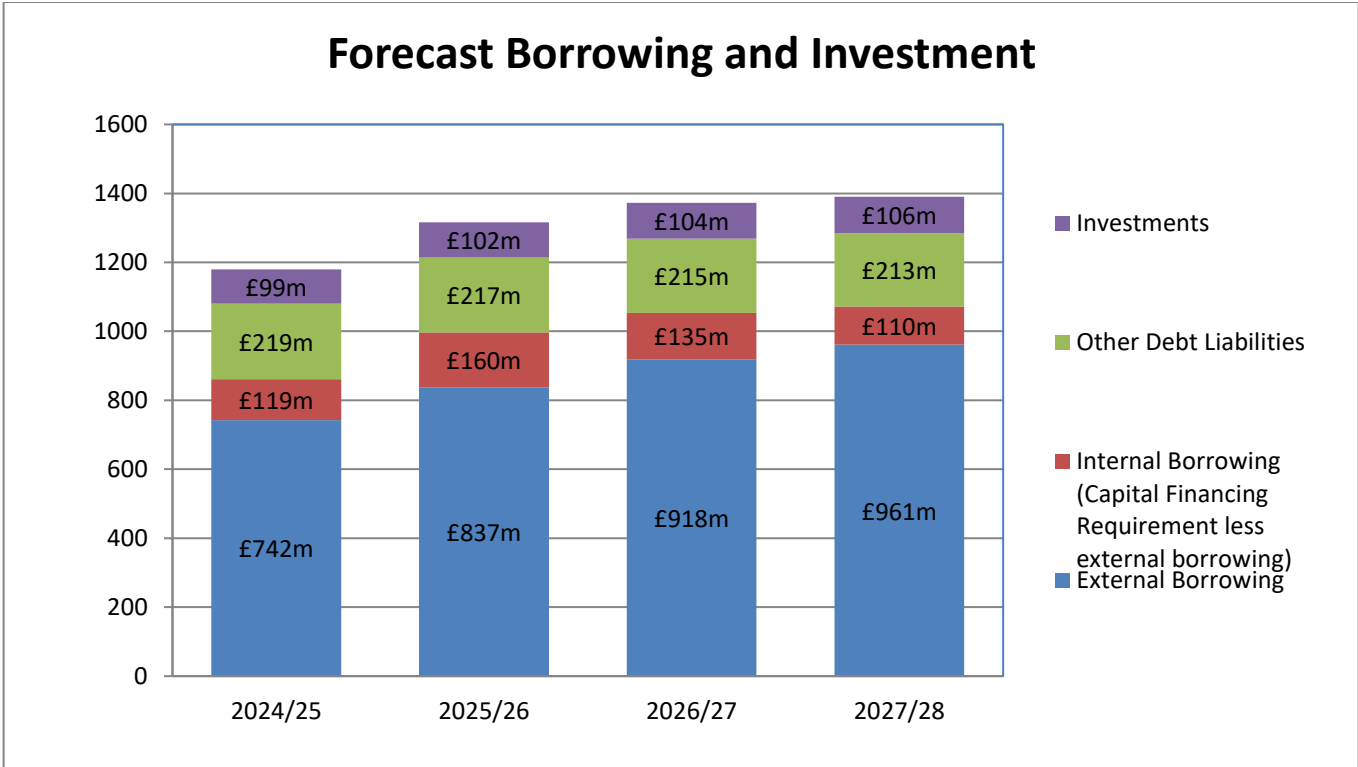
The final Treasury Management Strategy for 2025/26 taken to full council in February 2025 will reflect later and more timely updates.

Interest Rate Forecast

The Authority’s treasury management adviser Arlingclose have indicated following the Monetary Policy Committee (MPC) decision to hold the bank rate at 5 % in September. The MPC will continue to cut rates to stimulate the UK economy but will initially be cautious given lingering domestic inflationary pressure. We see another rate cut in 2024 (Q4), but more significant monetary easing in 2025, with Bank Rate falling to a low of around 3%

Part 2 – Technical Detail for Analysis

This is how much debt and investments we expect to have in the next three years



These are borrowing limits we are required to set by law. They are affordable levels and needed to fund our capital programme.

Maximum Total Debt

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement. Usable reserves and working capital are the underlying resources available for investment. The current strategy is not to borrow to the full underlying need. Some internal resources are used instead of external borrowing.

CIPFA’s *Prudential Code for Capital Finance in Local Authorities* sets a maximum for total debt. This is the maximum the CFR is expected to reach at any time during the next three years.

The Council held £649.5 million of loans in as at 31 March 2024. This was an increase of £97 million on the previous year. This reflected the need to fund borrowing to support the capital programme offset by use of Treasury Management working balances to limit draw on external funding where possible.

The Council expects to hold borrowing up to £ 743m in 2024/25. The total borrowing must not exceed the authorised limit set by the Council of £1,130m which includes estimated long term liabilities of £219m. This is subject to review once the full impact of IFRS16 is known which although will be fully implemented for the Statement of Accounts for 2024/25 there will be implications for the authorised borrowing limits.

Objectives of Borrowing Decisions

- To strike an appropriately low risk balance between securing low interest and fixed borrowing to obtain certainty of costs.
- Flexibility to renegotiate loans or to reschedule debt should the Council's long-term plans change.

It is much cheaper to borrow for a short period now we will look for opportunity to fix borrowing over long term where affordable.

Borrowing Strategy

Given the significant cuts to public expenditure and to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The previous differential with short-term interest rates being much lower than long-term rates has disappeared as Local Authorities seek to maximise a return on their investments. It is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead in order to be in a position to secure interest savings as rates reduce.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council has taken the opportunity to refinance some of its short-term borrowing with long term fixed rate borrowing from PWLB. This has reduced the Council's short-term borrowing and therefore reduced the interest rate risk (risk of interest rates rising).

There will be additional costs for taking the additional PWLB borrowing but it gives the Council certainty over more of its fixed costs. Long-term fixed rate loans remove the interest rate risk by fixing the rate for the term of the loan. These are popular among local authorities but are relatively expensive.

The Council will continue to review its portfolio of borrowing and may refinance its debt dependant on the market conditions. The benefits of short-term borrowing will continue to be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.

Short term borrowing is the cheapest option but leaves the Council exposed to refinancing risk, which can be divided into interest rate risk (the risk that rates will rise) and availability risk (the risk that no-one will lend to the Council).

The Council will reschedule or repay loans where this is expected to lead to an overall cost saving or a reduction in risk to reduce the overall long-term costs of the loan portfolio.

The Council will only borrow from approved sources.

These are the lenders we are able to use.

Sources of Borrowing

The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- The UK Infrastructure Bank
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private sector pension funds (except Devon Local Government Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues and short term borrowing
- Any other counterparty that is recommended by the Council's TM advisors
- A Plymouth City Council bond or similar instruments

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

The Council continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

The LOBO agreements were entered into under different market conditions. Where possible we will replace them with lower cost loans.

Lender's Option Borrower's Option (LOBOs)

The Authority holds £59m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost.

There has been a £5m call in so far in 2024/25. Opportunities to repay any LOBO obligations will be considered when it can be demonstrated to be cost effective.

A further £5m of these LOBOs have options during 2024/25, it is currently held at a rate below BoE rate and is at a lower rate than the one called in earlier this year. If the option is exercised then the Authority will take the option to repay LOBO loans to reduce refinancing risk in later years.

The Municipal Bonds Agency may offer an alternative for short term borrowing

Municipal Bond Agency (MBA)

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities.

This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

Short-term and Variable Rate loans

These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk.

Debt Rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

Prudential Indicators 2025/26

The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure

This is how we will fund the investment needed to deliver the Plymouth Plan

The Council's planned capital expenditure and financing forecast at September 2024 is summarised as follows. This incorporates reprofiling assumptions for current and future years based on a trend analysis using past years.

Capital Expenditure and Financing	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m
General Fund	158.927	109.513	72.995	18.065
Total Expenditure	158.927	109.513	72.995	18.065
Capital Receipts	3.230	1.763	9.368	0.180
Grants and Contributions	91.734	37.694	6.945	0.105
Revenue	2.541	0.831	0.043	0.000
Borrowing	61.422	69.225	56.639	17.780
Leasing and PFI	0.000	0.000	0.000	0.00
Total Financing	158.927	109.513	72.995	18.065

Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

This is the total past and planned capital expenditure we need to finance.

Capital Financing Requirement	31 Mar 24 Actual £m	31 Mar 25 Forecast £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m
General Fund	866.405	927.827	997.051	1,053.690
Total CFR	866.405	927.827	997.051	1,053.690

The Council has an increasing CFR and is forecast to rise by £187.285m over the next three years for the capital programme and therefore will require additional borrowing.

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.

This is how much we expect to borrow over the next three years

Debt	31 Mar 24 Actual £m	31 Mar 25 Forecast £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m
Borrowing	655.532	742.422	836.646	918.285
PFI liabilities & Finance Leases*	118.500	219.000	217.000	215.000
Total Debt	774.032	961.422	1,053.646	1,133.285

* A provision has been made for IFRS 16 to allow for operating leases being brought onto the balance sheet as a debt liability with effect from 1 April 2024. Working is ongoing to assess the impact

Total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt

The operational boundary is based on the Council's estimate of most likely, (i.e. prudent, but not worst case) scenario for external debt.

This is the flexibility we need to cope with our changing borrowing position from day to day.

Operational Boundary	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Borrowing	742.422	836.646	918.285	961.065
Other long-term liabilities	219.000	217.000	215.000	213.000
Total Debt	961.422	1053.646	1133.285	1174.065

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.

This is the absolute maximum of debt approved by the City Council

Authorised Limit	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Borrowing	887.000	969.000	1011.000	1047.000
Other long-term liabilities	217.000	215.000	213.000	211.000
Total Debt	1104.000	1184.000	1224.000	1258.000

Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

This measure demonstrates that our proposed borrowing is affordable.

Ratio of Financing Costs to Net Revenue Stream	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
General Fund	19.24%	21.33%	21.35%	22.5%

Adoption of the CIPFA Treasury Management Code

The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011* edition in April 2002. It fully complies with the Codes recommendations.

Treasury Management Investment Strategy

This explains the types of Investments under the CIPFA and MHCLG rules including non-Treasury Management Investments

Introduction

The Authority invests its money for three broad purposes:

- because it has surplus cash from its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

This sets out how we invest any surplus funds for cash management

The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds grants received in advance of future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from CIPFA. The balance of treasury investments is expected to fluctuate between £20m and £60m during the financial year.

Objectives

The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing its treasury management funds is to have the monies available at short notice for unexpected payments.

The Council defines “high credit quality” organisations and securities as those having a credit rating of [A-] or higher that are domiciled in the UK or a foreign country with a sovereign rating of [AA+] or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of [A-] or higher or if unrated an assessment will be made from the financial information available.

**These are the limits we use for making individual investments.
They are based on advice from Arlingclose.**

Investment Limits

When considering investment limits in the chart below you must also refer to the credit ratings of the individual organisations to make the final assessment.

Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Treasury Investment Counterparty Limits

Sector	Time Limit	Counterparty Limit	Sector limit
The UK Government	50 Years	Unlimited	n/a
Local authorities & other government entities	25 years	£25m	Unlimited
Secured investments *	25 years	£25m	Unlimited
Banks (unsecured) *	13 months	£10m	Unlimited
Building Societies (unsecured) *	13 months	£5m	£10m
Registered providers (unsecured) *	5 years	£5m	£10m
Money Market Funds *	n/a	£12m	Unlimited
Strategic pooled funds	n/a	£25m	£60m
Real estate investments trusts	n/a	£5m	£10m
Loans and investments to unrated corporates	n/a	£5m	£20ml
Other investments, unrated investments in equity, quasi-equity, debt or otherwise	n/a	£5m	£20m

This table must be read in conjunction with the notes below:

Liquidity Management

The Council uses a cash flow forecasting spreadsheet to determine the amount of cash required on a day to day basis to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

This is the rate we expect to pay on new borrowing, and how much we expect to earn on investments.

Council Budget Assumptions for 2025/26

- Investments will make an average rate of 4.0%
- New long-term loans will cost an average rate of 4.5%

Strategy

Given the increased risk and very low returns from short-term unsecured bank investments, the Council holds non-treasury management investment in diversified managed funds which offer a higher yielding. The Council holds £55m as a long-term investment (CCLA Property Fund, CCLA Diversified Fund, Schroder's Income Maximiser and Fidelity Enhanced Income Fund) and these give a higher return than the short term investments. Although there is a higher return there is an increased risk that of capital values falling. The purpose of having medium to long-term investments is to generate income that supports the revenue budget and the provision of local services.

The majority of the Council's surplus cash is currently invested in short-term money market funds which offer very low rates but allows immediate withdrawal. The Council will continue to look for investment opportunities that give a good return whilst being a secure investment.

Business models:

Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved Counterparties

The Council may invest its surplus funds with any of the counterparty types in counterparty table above, subject to the cash limits (per counterparty) and the time limits shown.

Credit Rating

Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £10m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying assets. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

Operational Bank Accounts

The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than AAA- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances should be kept below £5m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk Assessment and Credit Ratings

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investments will be made
- Any existing investments that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Council's treasury

management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

Reputational aspects: The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators.

This is how we measure our performance.

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. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit rating	A

This is how we ensure that we have cash available to meet unexpected payments.

Liquidity:

The Council does not keep large amounts of cash in call accounts so that it reduces the cost of carrying excess cash. 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.

This is a technical measure to limit how much we can be affected by changing interest rates.

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:

	2024/25	2025/26	2026/27	2027/28
Upper limit on fixed interest rate exposure	85%	90%	90%	95%
Upper limit on variable interest rate exposure	45%	35%	30%	25%

Fixed rate investments and borrowings are those where the rate of interest is fixed for more than 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Our loans fall due for repayment at various dates. We expect to have mainly fixed rate debt for longer loans. This avoids the risk of extra interest costs.

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 fixed rate borrowing will be:

	Upper	Lower
Under 12 months	50%	20%
12 months and within 24 months	25%	0%
24 months and within 5 years	25%	0%
5 years and within 10 years	25%	0%
10 years and above	80%	50%

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.

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 long-term principal sum invested to final maturities beyond the period end will be:

	2024/25	2025/26	2026/27
Limit on principal invested beyond one year	£10m	£20m	£20m

Non-Treasury Management Investments

Introduction

The non-treasury management investment strategy was a new report introduced in 2019/20, following the requirements of statutory guidance issued by the government (MHCLG) in January 2018, and focuses on the second and third of the following investment categories.

The Council invests its money for three broad purposes:

1. **Non-Treasury Management Investments** – to invest surplus cash from reserves and other funds that are not required for the day-to-day cash flow activities.
2. **Service Investments** - to support local public services by lending to or buying shares in other organisations; and
3. **Commercial Investments** - to regenerate areas within the City or immediate economic area to encourage private investment and to create or retain local jobs (known as commercial investments where these are the main purpose).

Non-Treasury Management Investments

The Council holds reserves that are not required for the day-to-day treasury management cash flow activities so can be invested in non-treasury management investments.

The surplus cash reserves can be invested in accordance with the CIPFA guidance. The balance reserve available for non-treasury investments is expected to fluctuate between £60m and £80m during the financial year.

Objectives

The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its 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 receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

The Council defines “high credit quality” organisations and securities as those having a credit rating of [A-] or higher that are domiciled in the UK or a foreign country with a sovereign rating of [AA+] or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of [A-] or higher or if unrated an assessment will be made from the financial information available.

Contribution: The contribution that these investments make helps support the Council's budget to enable it to delivery its essential services.

Service Investments

Loans

The Council may lend money to its subsidiaries, its suppliers, local businesses, local charities or housing associations etc. to support local public services and stimulate local economic growth. For example the

Council has given a loan to Plymouth Community Energy to support the construction of the solar energy farm at Ernesettle.

The council will ensure that a full due diligence exercise is undertaken and adequate security is in place. The business case will balance the benefits and risks. All loans are agreed by the Section 151 Officer. All loans will be subject to close, regular monitoring.

Loans are treated as capital expenditure for accounting treatment.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. Therefore the Council will take security against assets to mitigate the risk of default.

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding service loans by:

1. reviewing the financial statements of the organisation and reviewing the organisation's business plans and future projections and future cash flows;
2. assessing what security is available to secure the loan and if necessary carry out a professional valuation of any property;
3. using external advisors to provide professional information such as due diligence requirements;
4. the loan agreements are reviewed by our legal team to ensure that they are legally compliant and includes any safeguards for the Council;
5. if an organisation has a credit rating we will carry out a credit check to assist;
6. the rate of interest charged on any loan will reflect the risk of the project and potential for default;
7. subsidy controls rules are taken into account before a loan can be considered.

Shares

The Council may invest in the shares of its subsidiaries, its suppliers, and local businesses to support local public services and stimulate local economic growth.

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding shares by reviewing the history of the organisation; its financial statements and its share values. The Council will also look at business plans, future cash flows and any other market information that may affect the organisation.

Liquidity: The Council covers its liquidity for working capital and cash flow by holding cash in its Money Market Fund and being able to borrow short term loans from other local authorities.

Property and Regeneration Fund

Commercial Investment Strategy: From 1 April 2021 the Council does not invest in commercial property if it is held primarily to generate income.

From the 1 April 2021 the Council will invest in the commercial property only where the main purposes are to regenerate areas of the City, encourage private investment and to create or retain local jobs.

The Property and Regeneration Fund

The Property and Regeneration Fund invests in commercial property for the purposes of regenerating areas of the city that the council wants to improve, encourage private investment and to create or retain local jobs.

The Council has historical commercial investment portfolio that it had built up over many years. The local and regional, commercial and residential property provides a return to the council, after paying the borrowing costs and this can be spent on local public services.

Property and Regeneration Fund

Property and Regeneration Fund	Actual 2023/24	Estimate 2024/25	Forecast 2025/26
Commercial Property Net Income	£3.258m	£3.283m	£3.382m
Net Return	1.56%	1.44%	1.48%

Security: In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its development cost including taxes and transaction costs.

Analysis of Movement in Investment Properties	2022/23	2023/24
	£000	£000
Balance at 1 April	271,065	238,435
Additions	61	
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

A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment.

Where the fair value of the Council's investment property portfolio is no longer sufficient to provide security against loss, and the Council will take mitigating actions to protect the capital invested. These actions include enhancing or refurbishing the assets and reviewing the rents agreements.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding property investments by carrying out the evaluation process described below. The risk of not achieving the desired profit or borrowing costs increasing or the having vacant premises is partially covered by a void reserve. Annual payments are deducted from the rental income each year to add to the void reserve.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed; the Council makes an internal charge (service borrowing) to cover the capital repayments from the rental income.

The Council also makes alternative arrangement to cover their short-term cash requirements.

Proportionality

The Council uses the profit generated by the commercial investment to provide services for the city and to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Council is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Plan.

Table 4: Property Regeneration Fund

	2025/26 Forecast
Revenue Resources (estimate)	£244.744m
Net Investment income	£3.383m
Proportion	1.38%

Borrowing in Advance of Need

Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council has chosen not to follow this guidance and has previously borrowed for this purpose because it wants to generate income to support its local economy and its statutory duties. This is a common practice by local authorities since the Localism Act of 2011.

Investment Evaluation Process for the Property and Regeneration Fund

The Council's due diligence assessment processes are consistent and robust evaluation process and is set out below:

1. Proposed development opportunities are reviewed by Land and Property in areas of the City which require redevelopment or regeneration of brown and green field sites or areas where the Council want to stimulate inward private investment and to create or retain local jobs. A report is prepared by

suitably qualified and experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professionals.

2. This assessment provides analysis of a set of key criteria against which every prospective development is evaluated. The presentation of information highlights fundamental matters such as tenant covenant strength, lease length and location, in a transparent and consistent format, to support clear scrutiny and decisions.
3. The assessment provides a basis for scoring and weighting risk, to support the analysis of potential development and qualify overall suitability for inclusion in the portfolio.
4. The score threshold is not an absolute but helps guide decisions.
5. To ensure arms-length objectivity, external agents provide professional market analysis, data and advice, in the context of the Capital Finance Strategy, to support the evaluation and internal reporting process.
6. Since tenant default is a significant threat to the performance of the property investment financial checks are made on the proposed tenants. This is augmented by additional internal assessment of tenants' covenant and likely future performance.
7. With all the additional information a detailed model is produced. The model is tailored for each prospective development, by including items such as future demand, yield, cash flows; rental movement, optimal holding periods for the property and data to support the regeneration and job creation to cover the cost modelling.
8. If a decision is made to proceed, in-house surveyors lead negotiations, via the introducing/retained external agents, who are professional property firms.
 - A valuation, in accordance with the RICS Red Book, Professional Valuation Standards, issued by RICS as part of their commitment to promoting and support high standards in valuation delivery worldwide. The publication details mandatory practices for RICS members undertaking valuation services.
 - A Building Survey report is produced, as part of the proposed development, including preparation of a Site Environmental Assessment and preparation of a Reinstatement Cost Assessment for insurance purposes.
9. The above is reviewed by the Asset Portfolio Manager as an experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professional, with support from the internal multi-disciplinary property teams, for final decision by the Head of Land and Property on whether to proceed.
10. Head of Land and Property Projects receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process.

Property and Regeneration Governance

Clear, robust and transparent governance is critical to the Capital Finance Strategy and meeting the statutory guidance and ensuring an appropriate level of due diligence and scrutiny is applied, together with objective arms-length external advice where appropriate. It is also important to ensure any decision process retains

Treasury Management Strategy 2025/26

fluidity, so officers are empowered to respond promptly to changes in the market. For example if there is a commercial company failure in the city the officers would be able to respond quickly to help retain local jobs and look for alternative purchasers.

The Council to acquire or dispose of land is vested in the Head of Land and Property and where the land is purchased through the Property and Regeneration Fund a proposal is presented to the Officers and Members with a recommended for authorisation by the relevant Leader, Legal and the Section 151 Officer.

Capacity, Skills and Culture

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Service Director of Finance is a qualified accountant with over 25 years' experience.

The Council employs staff with professional qualifications including CIPFA, ACCA, CIMA, MRICS, CIPS etc. and pays for junior staff to study towards relevant qualifications.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

Head of Land and Property and the property team receives regular updates on market activity, trends, forecasts and occupier activity from RICS firms and in-house surveyors to support the decision process.

How investments are funded:

Property and Regeneration Fund commercial property developments are funded by borrowing and repaid by the service from rental income from the development. The borrowing is not directly taken out against each property but is managed through our Treasury Management function.

The rental income generated from the development of commercial property is used to repay the borrowing before any net income is used in the supporting of services.

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council.

Annual Minimum Revenue Provision Statement 2025/26

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008.

The Local Government Act 2003 requires the Authority to have regard to Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.

The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.

Minimum Revenue Position Policy

The MRP payment is funded from revenue with an option that part or all of the payment could be funded from capital receipts to repay debt.

MRP will commence in the financial year following the asset coming into use or after purchase.

For capital expenditure incurred before 1st April 2008, for supported capital expenditure incurred on or before that date, MRP will be charged on an annuity basis over 50 years, incorporating an "Adjustment A" in accordance to the guidance.

For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years.

For capital expenditure loans to third parties, the Authority will make nil MRP unless (a) the loan is an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in-year, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment on loans that are investments for commercial purposes, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (CFR) on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the government in its recent MRP consultation and in the Authority's view is consistent with the current regulations.

All investment properties that are sold by the Council will use the capital receipts to repay the outstanding loan finance for that property before any balance of capital receipts is available for other capital projects.

External Loans

For capital expenditure loans to third parties that are repaid in instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead.

Capitalisation Directions - For capitalisation directions on expenditure incurred after 1 April 2008 MRP will be made using the annuity method over 50 years.

PFI/Leases - For assets acquired by leases or the Private Finance Initiative, the Council changed its policy with effect from 01/04/2021 such that MRP can be charged over the life of the assets on an annuity basis. This is in line with the Council's MRP policy for all other assets as described above.

Other Items

There are a number of additional items that the Council is obliged by CIPFA or MHCLG to include in its Treasury Management Strategy.

Policy on use of Financial Derivatives

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The Council has no plans to make use of derivative instruments at the present time but does not discount the possible use of these in the future dependent on the existence of appropriate operating conditions, the acquisition and analysis of specialist advice and thorough consultation with stakeholders.

This approach is in line with the CIPFA Code, which encourages the Council to seek external advice and to consider such advice before entering into financial derivatives to ensure that it fully understands the implications.

Investment Training

The needs of the Council's treasury management staff for training in investment management are assessed every twelve months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staffs are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Markets in Financial Instruments Directive

Markets in Financial Instruments Directive: The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Section 151 Officer believes this to be the most appropriate status.

Other options considered

The MHCLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

The Treasury Management Practices, Principles and Schedules

The Treasury Management Practices, Principles and Schedules sets out the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. The Audit Committee is required to approve the Treasury Management Practices, Principles and Schedules each year under delegated decision.

Investment of Money Borrowed in Advance of Need

The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit. The maximum period between borrowing and expenditure is expected to be less than one year, although the Council is not required to link particular loans with particular items of expenditure.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

**Appendix A – (when published) Arlingclose Economic and Interest Rate Forecast
November 2024**

Underlying assumptions:

Forecast:

Appendix B - Existing Investment and Debt Portfolio Position

	30 Sept 2024 Actual Portfolio £m	30 Sept 2024 Average Rate %
PWLB – Fixed Rate	483	3.32
Short-term borrowing	85	0.97
LOBO Loans	59	4.36
Long Term Borrowing	18	4.37
Total borrowing	645	3.16
Short-term Money Market funds	31	4.99
Other Pooled Funds	54	5.30
Cash and cash equivalents	1	1.88
Total investments	86	5.17
Net borrowing	559	

Treasury Management Strategy 2025-26

Published by:
Plymouth City Council
Ballard House
West Hoe Road
Plymouth PL1 3BJ

Treasury Management Strategy 2025/26

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Audit and Governance Committee



Date of meeting:	12 November 2024
Title of Report:	Capital Financing Strategy 2025/26
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Service Director for Finance)
Author:	Wendy Eldridge (Lead Accountancy Manager for Capital and Treasury Management)
Contact Email:	Wendy.eldridge@plymouth.gov.uk
Your Reference:	Finance/WE/CFS 25-26
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

This report sets out the Capital Financing Strategy for 2025/26 and is a requirement of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services.

Recommendations and Reasons

- I. To recommend the Capital Financing Strategy to Council for Approval.

Reason: This is to comply with the CIPFA Code of Practice and discharge our statutory requirement.

Alternative options considered and rejected

- I. It is a statutory requirement under the Local Government Act 2003 and supporting regulations to set an annual capital financing strategy. The Council has adopted the CIPFA Code of Practice for Treasury Management.

Relevance to the Corporate Plan and/or the Plymouth Plan

Effective financial management is fundamental to the delivery of corporate improvement priorities. Capital financing 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:

The cost of capital affects the Treasury Management Strategy and the Council's budget in terms of borrowing costs and investment returns. The Capital Strategy provides an overarching policy framework for the Council's capital programme and planning, and will form part of a suite strategies which provide a holistic view of the Councils financial planning framework. With this in mind this document should be considered in conjunction with the Medium-Term Financial Strategy, Treasury Management Strategy and Investment Strategy.

Fin	CH. 24.25. 039	Leg	LS/0000 1075/2/ 31/10/24	M on Of f	N/A	HR	N/A	Asset s	N/A	Strat Proc	N/A
Originating Senior Leadership Team member: David Northey											

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

Date agreed: 31/10/2024

Cabinet Member approval: Councillor Mark Lowry (Cabinet Member for Finance) approved by email

Date approved: 31/10/2024

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CAPITAL STRATEGY 2025/26



INTRODUCTION AND CONTEXT

This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes-technical areas.

It is a requirement of the amendments implemented in the 2018 Treasury Management Code of Practice Guidance that all Local Authority's will need to produce a Capital Strategy each year.

Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

The strategy will provide an overarching policy framework for the Council's capital programme and planning and will form part of a suite of strategies which provide a holistic view of the Council's financial planning framework. This document should be considered in conjunction with the Medium-Term Financial Strategy and Treasury Management Strategy.

GOVERNANCE

The council have published a capital handbook to strengthen capital governance in line with the constitution which details how capital projects are approved and added into the capital programme.

All projects will go through the Capital Programme Officer Group.

Schemes up to £0.200m require approval under Section 151 Officer powers, schemes above £0.200m will be endorsed for Capital Programme Board approval.

Each scheme will need to detail:

- the aim of the project and any other ways of achieving it
- how it will be funded
- if there are any future revenue implications from the project e.g., building maintenance.
- effects on staffing
- legal, contractual, and prudential borrowing code implications
- if the Council is acting through an agent or partnership, legal advice must be sought on whether it has the power to act in this way.

any comments made during any consultation and the Council's response.

- the estimated amount and timing of any capital and revenue spending.

All proposed new schemes will need to demonstrate how they meet the requirements of the City by presenting a Business Case for approval and detail which of the City's outcomes are being achieved and how the scheme will address this need.

Due diligence is carried out on all new proposals to determine whether the scheme is deemed suitable.

Once accepted, all new schemes, which will require both finance and legal signoffs, are published as an Executive Decision including the Leaders decision to add the agreed spend to the capital programme.

The Capital Financing Strategy is agreed annually with the Capital Programme as part of the annual budget setting process. Variations to the Capital Programme or in-year additions (subject to

delegation), will be agreed by Cabinet through the presentation of quarterly Capital Programme monitoring.

CAPITAL PLAN

The Capital Plan is the collective term which defines two key elements; the Capital Programme as approved by the Leader or S151 Officer and the Capital Pipeline which refers to possible future funding that may be available for future projects yet to be approved.

The Capital Programme is the list of schemes which have a confirmed funding source and have been approved for capital investment by the Leader following consideration of a robust, evidence-based business case.

“The Capital Pipeline” is the term used to refer to funding that the Council hopes to receive in the future but has not yet been approved. These consist of both ring-fenced and unringfenced resources.

Ring-fenced resources are essentially those that can only be applied to a specific purpose and include specific grants and S106 contributions etc. Unringfenced resources can be applied to any project and include unringfenced grants and borrowing etc.

With the increased cost of borrowing, additional challenge is required on projects with service and corporate borrowing implications. This is to ensure that the approved Capital Programme (with allowances for re-profiling) remain within the financial constraints of the 2024/25 treasury management budget.

CAPITAL PROGRAMME

Once approved, schemes are added to the Capital Programme for delivery.

The table below details the Capital Programme as at 30 September 2024 which is due to be reported to Cabinet and then Full Council 25 November 2024.

If any adverse variances are identified to approved schemes, there is a requirement for the schemes to identify the funding and to seek further approval. This is to enable authorisation for the increased expenditure and provides details of the variance.

Table 1. Five Year Capital Programme by Directorate

Directorate	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m
Children's Services	0.735	0.114	-	-	-	0.848
Adults, Health and Communities	28.120	11.922	0.842	0.164	-	41.048
Place - Economic Development	34.082	32.181	42.215	16.715	12.582	137.775
Place - Strategic Planning & Infrastructure	61.444	49.298	28.915	0.672	0.275	140.605
Place - Street Services	24.860	11.835	0.295	0.234	0.212	37.435
Resources	3.465	4.093	0.728	0.280	0.101	8.667
Office for Director of Public Health	6.221	0.070	-	-	-	6.291
Total	158.927	109.513	72.995	18.065	13.170	372.669

Financed by:						
Capital Receipts	3.230	1.763	9.368	0.180	2.008	16.549
Grant Funding	87.765	34.565	0.023	0.023	0.193	122.570
Corporate Funded borrowing	32.621	35.352	22.539	0.860	0.545	91.918
Service dept. supported borrowing	28.800	33.872	34.100	16.920	10.322	124.014
Developer contributions	3.968	3.129	6.921	0.082	0.102	14.202
Other Contributions	2.542	0.831	0.043	-	-	3.416
Total Financing	158.927	109.513	72.995	18.065	13.170	372.669

CAPITAL EXPENDITURE AND FINANCING

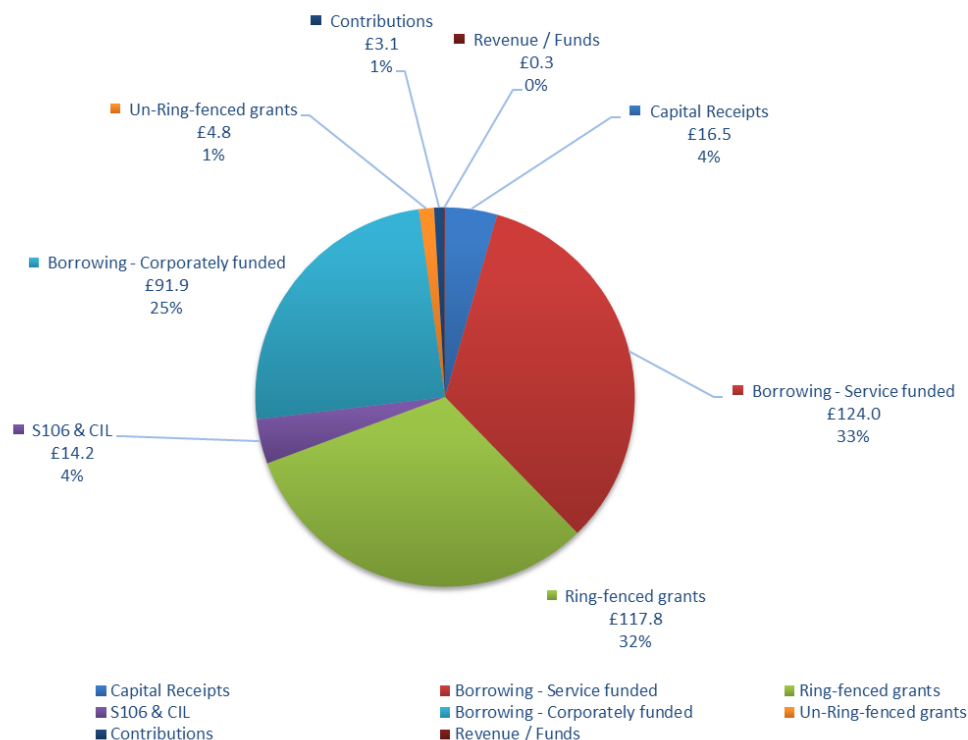
Capital expenditure is defined as money spent on assets, such as property or vehicles, which will provide a service benefit for more than one year. In local government, this also includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 (land and buildings) and £5,000 (vehicles, plant, or equipment) are not capitalised and are charged to revenue in year.

Capital expenditure is financed by a range of sources which may either be ringfenced or unringfenced. The source of financing is always identified and approved at the time of capital project approval. The Capital Programme is currently financed by:

- Capital Receipts.
- Grants and contributions.
- S106 and Community Infrastructure Levy (CIL).
- Revenue Contribution to Capital Outlay (RCCO).
- Borrowing – both funded corporately, or where schemes deliver a saving, this is offset against the project and repaid by service. This requires directorate efficiencies and as shown in funding chart below service borrowing is the highest proportion of the capital programme funding across the next 5 years at 33%.

The Capital Programme is £372.669m. This is summarised below by funding source.

Funding of 2024-2029 Capital Programme £m



Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP) / loans fund repayments. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP / repayments and use of capital receipts are as follows:

Table 2: Replacement of prior years' debt finance in £ millions

	2023/24 actual	2024/25 forecast	2025/26 forecast	2026/27 forecast	2027/28 forecast
Minimum revenue provision (MRP)	22.676	23.350	24.600	25.850	27.100
Loans fund repayments	0.451	0.489	0.501	0.512	0.516
Capital receipts	0.305	1.500	0.500	0.500	0.500
TOTAL	23.432	25.339	25.601	26.862	28.116

The Authority's full minimum revenue provision statement is available with Treasury Management Strategy: [\[link\]](#)

Table 3: Capital receipts receivable in £ millions

	2023/24 actual	2024/25 forecast	2025/26 forecast	2026/27 forecast	2027/28 forecast
Asset sales	0.147	2.408	6.555	8.716	0.000
Loans etc repaid	4.080	2.402	2.233	1.990	1.973
TOTAL	4.267	4.810	8.788	10.706	1.973

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Due to decisions taken in the past, the Authority currently has £640m borrowing at an average interest rate of 3.16% and £85.6m treasury investments at an average rate of 5.17%.

Borrowing strategy: The Authority's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheaper short-term loans and long-term fixed rate loans where the future cost is known but higher.

The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

Affordable borrowing limit: The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

Risk management: The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

The treasury management prudential indicators are on pages to of the treasury management strategy [link]

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and staff, who must act in line with the treasury management strategy approved by full Council. Reports on treasury management activity are presented to full Council within quarterly monitoring reports. The Audit & Governance committee is responsible for scrutinising treasury management decisions.

PROPERTY AND REGENERATION FUND

The Property and Regeneration Fund's strategic objectives are to deliver regeneration, economic and employment growth with associated income benefits in the Plymouth Functional Economic Area.

This will enable the Council to invest in direct developments and forward funding opportunities to promote regeneration, safeguarding and creating new jobs as well as encouraging economic growth in the Plymouth Functional Economic Area.

The Property and Regeneration Fund helps deliver the Plymouth Plan and assists in the redevelopment of brown field sites in the Plymouth area where it is difficult to attract external investment. Any regenerated areas encourage other private companies to invest in the locality as well as attracting external investment from inward investment by companies moving into the area.

EXISTING INVESTMENT PROPERTIES

The Property and Regeneration Fund (previously known as the Asset Investment Fund) has approved investment of over £250 million in commercial property including direct development and forward funding commercial property schemes to deliver:

- Stimulation of economic and employment growth and regeneration in the Plymouth Functional Economic Area.
- Associated long-term income generation (via rental revenues) to support the wider financial position of the Council.

All investment decisions have been fully accountable and followed a sequence of internal reporting and signoffs. In addition, verification of the purchase price by external suitably qualified RICS Approved Valuers were obtained prior to any investment.

In terms of on-going governance arrangements, the fund's properties are managed alongside the Council's existing commercial property portfolio in accordance with delegated land and property procedures as set out in the Council's Constitution. In addition, the team undertake regular analysis at both a portfolio and property-level to benchmark performance and manage risk. To improve transparency and disclosure, a regular fund managers' report is produced, and a Management Group of key stakeholders meet regularly to review outputs.

AFFORDABILITY

The Council considers all finances from a prudent perspective; this includes the assessment of affordability of all capital investments.

At the point of approval of a scheme, both the funding implications and any ongoing revenue implications are evaluated to enable informed decisions to be made regarding investment opportunities.

The short, medium, and longer-term impacts are all assessed taking into account any other wider policy implications which could impact on the decision.

As much of the capital programme is funded by borrowing, assumptions and decisions on the cost and affordability of the Council's borrowing is linked to the Public Works Loan Board (PWLB) interest rates, prudential indicators and the approved borrowing strategy as set out in the Treasury Management Strategy 2025/26.

RISK MANAGEMENT

Risks are assessed continually from both an operational and financial perspective.

In carrying out due diligence, potential project risks are identified, and relevant mitigation measures documented prior to approval.

All risks are then managed in line with the Council's risk management policy which includes documenting risks on a risk register, assigning owners, regular review of risks and Red Amber Green (RAG) rating.

Subject to careful consideration, the Council may consider investing in a higher risk initiative should there be a significant direct gain to the Council's resources or enable more effective delivery of its statutory duties.

KNOWLEDGE AND SKILLS

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Service Director for Finance is a qualified accountant with over 35 years' experience.

The Council pays for staff to study towards relevant professional qualifications including CIPFA, ACCA, CIMA, MRICS, CIPS etc.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as their treasury management advisers. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

CONCLUSION

The Capital Strategy sets the context and framework for formulating the capital programme. It has been written to meet the requirements of CIPFA's Prudential Code and recommended best practice. The financial implications of this report will be fully detailed throughout the Revenue and Capital Budget 2024/25 when presented to Full Council for approval in February 2025.

Local authorities are required by regulation to have regard to the Prudential Code for Capital Finance in Local Authorities (published by the Chartered Institute of Public Finance and Accountancy, CIPFA) when carrying out their duties in England and Wales under Part I of the Local Government Act 2003. The Prudential Code requires local authorities to: "have in place a capital strategy that sets out the long-term context in which capital expenditure, borrowing and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes."

The Audit and Governance Committee is asked to agree the Capital Strategy, setting out the Council's priorities for capital investment and providing a framework for formulating the capital programme for approval by Full Council in February. It is an important part of the framework underpinning the budget setting process.

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Audit and Governance Committee



Date of meeting:	12 November 2024
Title of Report:	Council's electoral cycle consultation
Lead Strategic Director:	Tracey Lee (Chief Executive)
Author:	Liz Bryant (Head of Legal Services and Monitoring Officer)
Contact Email:	Liz.bryant@plymouth.gov.uk
Your Reference:	Electoral Cycle 2024
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

This report presents the results of the consultation process, as previously approved by the A&G Committee, before being presented to the City Council on 25 November 2024. The outcome of the decision taken by the City 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.

Recommendations

Audit and Governance Committee to:

1. Receive the electoral cycle consultation summary report at Appendix A and recommend that the City Council determines at its meeting on 25 November 2024 whether to make a change to its electoral cycle arrangements.
2. Note the amendments to the Council Size Submission at Appendix B arising from a change in forecasting date to 2031; and
3. Authorise the Monitoring and Chief Executive to make any further minor forecasting amendments necessary and to finalise the addendum required setting out the electoral cycle decision prior to submitting the response to the LGBCE.

Alternative options considered and rejected

The decision to hold a consultation was agreed by the City Council on 21 November 2022. This report sets out summary of the 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 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 are not 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:
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.*
None

Appendices
**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>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.</i>						
		1	2	3	4	5	6	7
A	Electoral Cycle Consultation Report							
B	Updated Council Size Submission and version control table							

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) <i>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.</i>						
	1	2	3	4	5	6	7
Audit and Governance report 23 July 2024 Cover Sheet Briefing Report Consultation Press Release Consultation Communications Assets							
City Council report 16 September 2024 Cover Sheet							

Fin	N/A	Leg	N/A	Mon Off	N/A	HR	N/A	Asset s	N/A	Strat Proc	N/A
Originating Senior Leadership Team member: Liz Bryant, Monitoring Officer											

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ELECTORAL CYCLE CONSULTATION REPORT – APPENDIX A

October 2024



I. BACKGROUND

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 approved the consultation question and Full Council on the 24 June 2024, delegated authority to Audit and Governance Committee to finalise the details of the consultation process, which it did on 23 July 2024.

The consultation was carried out over an eight-week period from 24 July to 22 September 2024 and engaged 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.

The legislation governing a potential move to whole council elections is the Local Government and Public Involvement in Health Act 2007. The Act gives the Council power to move to whole council elections. It also requires the Council to consult such persons as it thinks appropriate on the proposed change. Councils undertaking such consultation must:

- a) Take reasonable steps to consult such persons that it believes appropriate on the proposed change;
- b) Have regard to the outcome of the consultation before making its decision;
- c) Convene a special meeting of the Council to make a resolution;
- d) Pass a resolution to change by a two-thirds majority of those voting;
- e) As soon as practicable after passing such a resolution to produce and make available to the public (at its own cost) an explanatory document setting out details of the new scheme;
- f) Give notice to the Local Government Boundary Commission for England

The result of any consultation conducted under the act is advisory in nature and does not commit the Council to a particular course of action.

2. METHODOLOGY

The consultation was hosted online between 24 July and 22 September. The survey remained open online for a further 4 days so that any hard copies received could be manually entered by council staff. A simple survey was designed to capture the view of residents and stakeholders on the decision to keep or change the Council's Electoral Cycle. The question used was single response question:

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

This question was followed with the opportunity for respondents to provide a reason for their answer. The survey asked for the respondents' partial postcode so that responses could be monitored from across the city - this would enable targeted promotion in low responding areas and also to identify any differences in views across different parts of the city. The survey also captured respondent information / representation e.g. business, community group, student etc.), age and health problem or disability.

In addition to the survey, in-person/online meetings were held to provide information and encourage responses to the consultation:

- Two sessions were arranged with the Youth Parliament on the 04 September and 11 September 2024. This received a positive response with the young people commenting on the importance of this issue in the session and generated over 100 hard copy survey responses.
- Three online sessions were arranged with Councillors on the 18, 19 and 20 September.
- Representatives from the Council's Elections Team attended Plymouth Area Disability Action Network (PADAN) on the 13 September to raise awareness of the consultation and encourage responses to the consultation.

3. PROMOTING THE CONSULTATION

The Council's Audit and Governance Committee approved the Communication and Engagement Strategy for the consultation including the communications materials on the 23 July 2024. Over the two-month consultation, the below communications and promotional activities were delivered:

- Two press releases were issued on the 24 July and the 09 September
- A web page was launched with all the information, FAQs and a link to the survey
- Advertising in four editions of the Plymouth Chronicle newspaper
- Two emails were sent to all Plymouth residents on the electoral register; the first was sent on the 24 July and the second was sent on 09 September
- An Email was sent to Learning Disability providers across the city and the voluntary and community sector (inc. Community Builders)
- There was promotion in Plymouth libraries – along with hard copies of the survey
- Promotion of the consultation was included in four editions of the Council's residents e-newsletter to 26,400 people
- There was promotion on the Council's new What's App channel
- Posters were displayed in key Council premises e.g. libraries / Council House etc.
- Stakeholder toolkits sent to key local organisations e.g. universities / housing associations / NHS / business and voluntary sector groups etc. with a request to assist with promotion (including information sent to all Councillors)
- Personal letters sent to key stakeholders inviting them for feedback
- Development of an animation explaining the different electoral cycle models – promoted on social media and to key groups and organisations
- A paid-for social media advertising campaign ran for the last month of the consultation – reaching 110,761 people in the city, resulting in 6,958 clicks to the consultation web page
- Targeted advertising in areas in the city that demonstrated a lower response than other areas
- General social media across all available channels, resulting in 14 posts. Across Facebook, the organic reach was 26,307, resulting in an engagement figure of 1,699. Across X (formerly Twitter), the organic impressions were 6,553. We also posted across LinkedIn.

4. THE RESPONSE

A total of **7,055** responses were received to this consultation. This response significantly exceeded the original target of 5,000.

Table 1

Completed online including hard copies received and entered	7,051
Stakeholder letters received from <ul style="list-style-type: none"> • Arts University Plymouth • Police and Crime Commissioner 	

- Plymouth Community Homes
- Plymouth Marjon University

5. WHO RESPONDED?

5.1 Respondent information/representation

Respondents were asked to select one or more of the following answers which enabled the results to be analysed from multiple perspectives. The majority of respondents indicated that they lived in Plymouth (88%, 6,632), 5.5 per cent (415) of the respondents also indicated that they worked for a public sector organisation. Three per cent (238) respondents indicated that they were a student or in education in the city.

Table 2

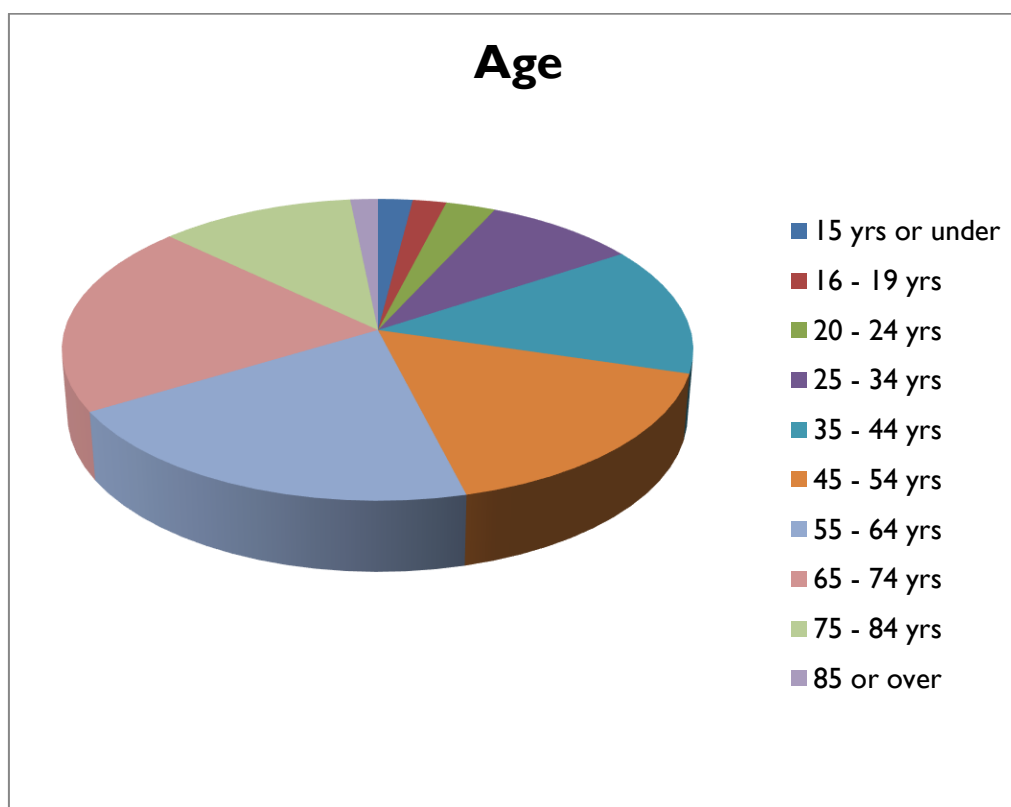
Are you? (Tick all that apply)	% Answer	No.
Living in Plymouth	88%	6,632
A serving MP or Councillor	0.5%	28
A student or in education in Plymouth	3%	238
Representing a voluntary / community organisation	1%	96
A representative of a local business	1%	84
Living outside of Plymouth	1%	80*
Working for a public sector organisation	5.5%	415
No Response		(255)
Total	100%	7,828

*See notes on analysis of data section

5.2 Age

Respondents were asked to select the age group that was relevant to them. The highest responding age categories were respondents aged between 55yrs and 74yrs – this accounted for 40 per cent of the total response. Those aged between 35yrs and 54yrs accounted for nearly 30 per cent.

The purpose of collecting this information was to monitor and enable targeted promotion in low responding age groups. The information was also captured to identify the views from younger age groups who would potentially be affected by the decision in the future. Four per cent of respondents (268) were aged 19 years or under. Seven per cent of respondents (464) were aged 24 years or under.

Figure 1

5.3 Health problem or disability

Respondents were asked about whether their day-to-day activities were limited because of a health problem or disability, which has lasted, or is expected to last, at least 12 months. The purpose of collecting this information was to ensure representations were being made by people who are limited in their day-to-day activities by a health condition or disability and to identify any potential issues around the accessibility of elections. 23 per cent (1,471) of respondents indicated that they had a health condition or disability that limited them a lot or a little.

Table 3

Are your day-to-day activities limited because of a health problem or disability?	% Answer	No.
Yes, limited a little	15%	967
Yes, limited a lot	8%	504
No	70%	4,494
Prefer not to say	7%	438
No Response	-	(648)
Total	100%	7,051

5.4 Postcode district

Respondents were asked to provide the first part of their postcode to enable targeted advertising in areas of the city that demonstrated a lower response than other areas and also to identify whether respondents from different parts of the city had different views about the electoral cycle. 6,267 (89%) respondents provided valid postcode information for analysis.

Of the 6,267 respondents, the highest number of responses were received from respondents living in the PL6 postcode district (932, 14.9%), the second highest number were received from respondents living in PL3 (898, 14.3%).

The lowest number received within the Plymouth boundary were from the PL1 and PL2 postcode districts (10.4% and 9.7% respectively)

42 respondents (0.7%) provided postcode information that clearly indicated that they lived in a postcode district outside the Plymouth boundary.

The data provided below is derived from only the postcode data provided and does not take into consideration whether the respondents indicated that they lived in or outside the city.

The data is only able to provide district level information, however Table 4 provides an indication of the area coverage and the attributable wards.

Table 4

District	Coverage	Attributable Ward(s)	No.	%
PL1	Plymouth City Centre, Barbican, Devonport, The Hoe, Millbridge, Stoke, Stonehouse	<ul style="list-style-type: none"> Devonport St Peter and the Waterfront Stoke 	652	10.4
PL2	Beacon Park, Ford, Keyham, North Prospect, Pennycross, Home Park	<ul style="list-style-type: none"> Devonport Ham Peverell Stoke 	608	9.7
PL3	Efford, Hartley, Laira, Mannamead, Milehouse, Peverell, Higher Compton	<ul style="list-style-type: none"> Compton Efford and Lipson Peverell Stoke 	898	14.3
PL4	Lipson, Mount Gould, Mutley, Greenbank, Prince Rock, St. Judes, Barbican (north)	<ul style="list-style-type: none"> Compton Drake Efford and Lipson St Peter and the Waterfront Sutton and Mount Gould 	758	12.1
PL5	Crownhill, Ernesettle, Honicknowle, Whitleigh, St. Budeaux, Tamerton Foliot	<ul style="list-style-type: none"> Budshead Eggbuckland Ham Honicknowle St Budeaux Southway 	786	12.5
PL6	Derriford, Eggbuckland, Estover, Leigham, Roborough, Southway Lopwell, Woolwell, Bickleigh	<ul style="list-style-type: none"> Budshead Eggbuckland Moor View Southway 	932	14.9
PL7	Plympton, Sparkwell	<ul style="list-style-type: none"> Plympton Erle Plympton Chaddlewood Plympton St Mary 	773	12.3

PL9	Plymstock, Heybrook Bay, Mount Batten, Wembury	<ul style="list-style-type: none"> • Plymstock Dunstone • Plymstock Radford 	818	13.1
Outside boundary			42	0.7
Total			6,267	100

6. NOTES ON ANALYSIS OF DATA

6.1 Rounding and conversions

The percentage figures included in this report have been rounded to the nearest whole number and therefore may not add up to 100 per cent in all cases.

In some cases, the number of respondents included in the analysis is very low and therefore the percentage conversion result is only an indication of proportion and should be treated with caution.

6.2 Postcode district

A review of the data identified 367 entries where the postcode needed to be manually cleaned to provide the most accurate picture in terms of geographical response (e.g. PL 1 to PL1).

42 respondents provided postcode information that clearly indicated that they lived in a postcode district outside the Plymouth boundary. This is different to the 80 respondents who indicated that they lived outside the city boundary when asked this specifically.

This data has been analysed at district level only and the following should be taken into consideration:

- There were discrepancies in the respondent answers
- Some respondents answered that they lived both within and outside the city
- Some postcode data did not match the respondents view of whether they lived in or outside the city
- The postcode districts of PL6, PL7 and PL9 stretch beyond the city boundary.

Closer analysis of the data provided indicated that these discrepancies are few in number and therefore no adjustment has been made to the results presented.

6.3 Comment analysis

Of the 7,051 online responses, 4,306 respondents added comments to provide a reason for the answer they gave about the electoral cycle. Due to the significant number of comments received in response to only one question, it is likely that the information will reach a point of saturation, that is, the review and analysis of the comments will no longer provide any new information past a certain number of coded responses.

The qualitative content analysis was supported by two Researchers-in-Residence working with the Council on the Plymouth Health Determinants Research Collaboration (HDRC), who provided a training sessions and joint coding exercise of this data with the team. It was agreed that the independently conducted double coding of the first 100 comments would help produce a consolidated coding frame, and that this would be used to provide a standardised method for coding the comments by different team members.

It was further agreed that due to the large number of comments and the relatively clear coding categories, 20 per cent of them would be randomly selected for analysis. This would give a robust overview of the themes coming through from respondents as to why they selected the option they did. 861 comments were randomly selected from the 4,306 responses. More than one code can be

attributed to each comment, therefore the number of codes in the table below may total more than 4,306.

7. RESULTS

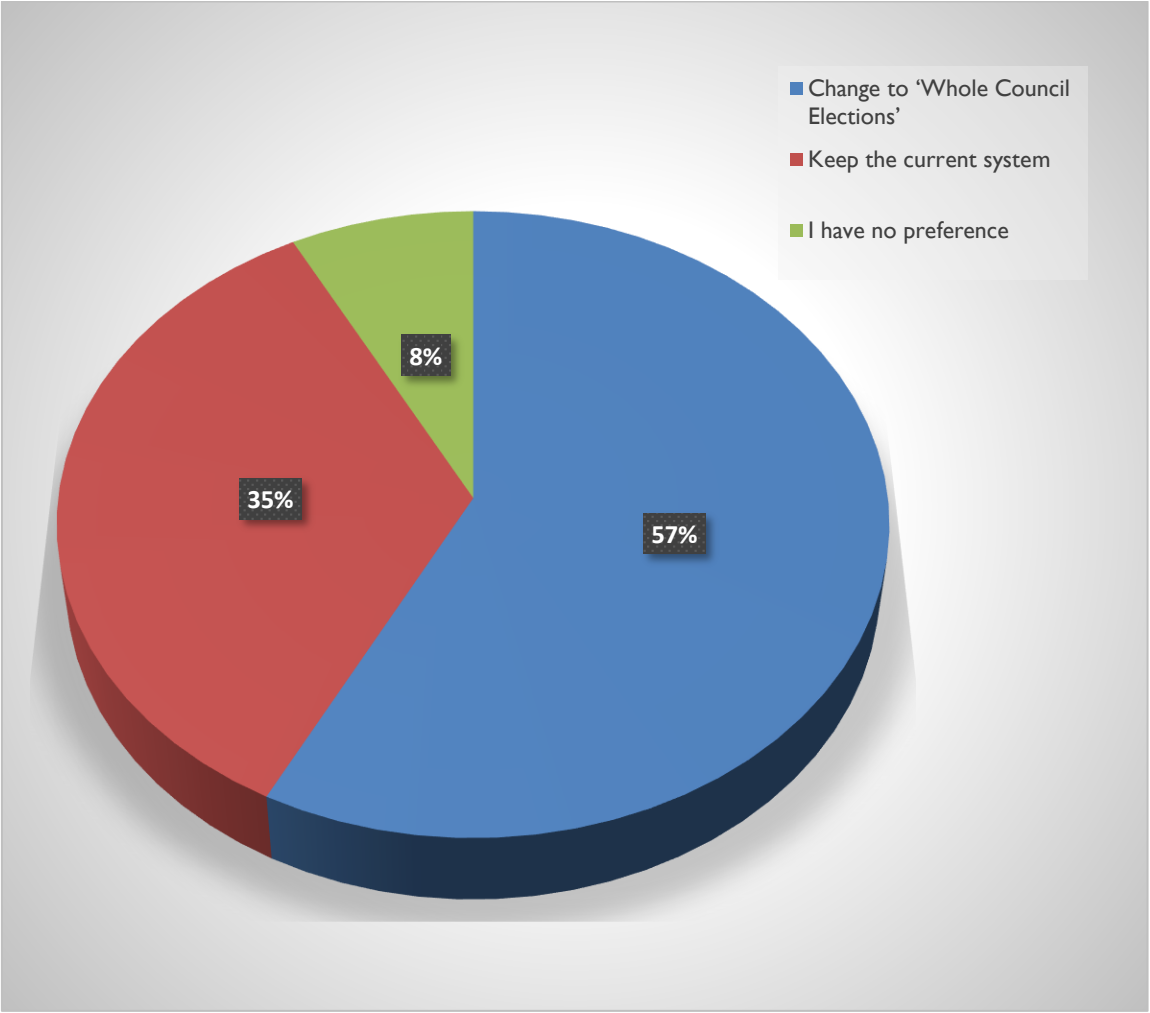
7.1 Overall Result

Respondents were asked to indicate, by selecting one option only, which option they would prefer for Plymouth residents to elect their councillors?

A total of **7,051** responses were received to the online survey:

- Change to ‘Whole Council Elections’ – **4,063** (57%)
- Keep the current system – **2,443** (35%)
- No preference – **545** (8%)

Figure 2



When the 545 responses indicating ‘no preference’ are removed the re-calculated result is as follows:

- Change to ‘Whole Council Elections’ - **62%**
- Keep the current system - **37%**

8. COMMENT ANALYSIS

Respondents were asked to provide reasons why they selected as they did from the options provided. Table 5 below sets an analysis of a randomly selected sample of respondents (861 or 20%):

Table 5

Change to Whole Council Elections	No.
Resources: Save money	207
Democracy: Process simpler/aligns with general election	101
Stability - Effective Governance	92
Stability - Consistency of Council	89
Stability - Implementation time to deliver/benefit	77
Democracy: Turnout/Voter fatigue	60
Stability - [Catchall/non-elaborated]	51
Democracy: Accountability	50
Stability - Reduce flipflopping/procrastination/excuses	22
Resources: Reduce burden on buildings / staff	23
Democracy: Less pre-election period	11
Keep the current system	No.
Democracy: Accountability	98
Stability: Continuity/Gradual change/Fresh	80
Democracy: Democracy Catchall/non-elaborated	50
Stability: Process/Status Quo	48
Democracy: Cllr Engagement/Visibility	27
Democracy: Less party politics/concentrated power/complacency	27
Other comments	No.
OTHER/Change	39
OTHER/Keep	29
OTHER/No Preference	10

8.1 Change to Whole Council Elections

Of those who opted to change to 'Whole Council Elections', the most common reason related to resources and the potential for the council to saving money (207). This code captured all comments relating to the benefits in terms of cost savings that might arise from less frequent elections. In the information accompanying the consultation, it was outlined that '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.' It was not further clarified that the £1.4m saving related to a 10-year period

rather than a four-year period. Therefore, any comments relating to savings need to be viewed in that context.

The second most common reason provided for changing the system was that it could be considered to be better for democracy due to the system being simpler (101). This code captured all comments for changing the cycle saying it is better for democracy overall, and some specifically stated that it was simpler / clearer / less confusing for citizens to follow or mentioned alignment with the general election cycle to make sense.

Alongside Resource, and Democracy, Stability was one of the key themes that emerged from analysis of the comments. 92 comments related to stability in terms of the change allowing more effective governance. These arguments for change related to the benefits or outcomes of having a more consistent membership of the Council in terms of long-term decision-making and strategic planning. Examples of the comments cited here typically included: 'effective delivery', 'getting things done', or 'better planning / decision-making'. 89 comments related to stability in terms of the consistency of the actual formation or constitution of the council membership. 77 comments related to stability in terms of the longer period of time between elections which would allow for long-term delivery and realising the benefits or seeing through plans / delivery. A further 51 comments referenced improved stability but did not elaborate further.

There were 60 comments relating to how a system of less frequent elections would enhance the democratic process by improving voter turnout or reducing voter fatigue.

8.2 Keep the current system

There was less variation overall in terms of the reasons being presented by those who selected 'keep the current system'. The most commonly occurring theme (98) was that the current system provided better democratic accountability. This coding category included all comments relating to enhancing accountability through more frequent elections; including comments such as being able to 'keep Councillors on their toes', 'easier to replace', 'ensuring they are more visible', and 'can judge performance more frequently'.

As with those who wanted to change the system, stability was also a commonly occurring theme for those who wanted to keep the current system. 80 respondents referred to the stability of the current cycle, and the perceived benefit of not replacing all members at once, such as sharing knowledge between incoming / outgoing members and enabling more continuity in decision-making. Comments also related to keeping things 'fresh' or 'dynamic' due to regularly refreshing members.

48 comments were coded as 'stability' as they provided arguments that emphasised maintaining the status quo through an established process or maintaining the status quo in various forms. Examples include 'tried and tested', 'fair or familiar for voters'.

9. ANALYSIS OF RESPONDENTS

Further analysis was carried out to help identify the views of different groups of people who responded.

9.1 Result by respondent information/representation

Table 6 sets out the overall result of the consultation against the respondent's information that was collected. For the most part respondents selected 'Living in Plymouth' (6,632, 88%), however respondents could select more than one option if they were representing a business or attending a school in Plymouth for example. The result for those who indicated that they lived in Plymouth saw a similar split to the overall result (58% change/34% keep) and has therefore not been reported in the table below.

Table 6

NB: Percentage results should be treated with caution where the responding numbers are low.

Responding group	Change to 'Whole Council Elections'		Keep current system		No preference		Total	
	No.	%	No.	%	No.	%	No.	%
Serving MP or Councillor	11	39%	16	57%	1	4%	28	100%
A student or in education in Plymouth	120	50%	55	23%	63	27%	238	100%
Representing a voluntary/community organisation	53	55%	32	33%	11	12%	96	100%
Representative of a local business	48	57%	30	36%	6	7%	84	100%
Working for a Public Sector organisation	270	65%	115	28%	30	7%	415	100%

In all but one of the groups set out in Table 6, change to 'Whole Council Elections' was selected by the most respondents. Out of the 28 respondents who indicated they were a serving MP or Councillor, 16 selected 'keep the current system', with 11 selecting 'change to whole council elections'.

9.2 Result by age group

Table 7 below presents the result of the consultation question by age group. In every age category most respondents (50% or more) selected 'change to whole council elections.' The age category of 65 – 74 years had the highest percentage of respondents selecting 'keep the current system' (40%), and 15 years or under had the highest percentage of those selecting 'no preference' (35%).

When analysing the data from the younger age groups (24 and under) there were 464 total responses. 242 respondents selected 'change to whole council elections' (52%). 135 selected 'keep the current system' (29%) and 87 selected 'no preference' (19%).

Table 7

Age (years)	Change to 'Whole Council Elections'		Keep current system		No preference		Total	
	No.	%	No.	%	No.	%	No.	%
15 or under	67	50%	21	15%	48	35%	136	100%
16 – 19	72	55%	39	19%	21	16%	132	100%
20 – 24	103	53%	75	38%	18	9%	196	100%
25 – 34	331	55%	201	34%	68	11%	600	100%
35 – 44	575	61%	263	28%	98	11%	936	100%

45 – 54	680	61%	344	31%	89	8%	1113	100%
55 – 64	845	61%	459	34%	72	5%	1376	100%
65 – 74	770	55%	564	40%	65	5%	1399	100%
75 – 84	406	53%	322	42%	38	5%	766	100%
85 or over	71	66%	29	27%	8	7%	108	100%

9.3 Result by health problem or disability

Table 8 shows the result of the consultation question against those indicating that they had a health problem or disability, limiting them a little or a lot. The results show that regardless of respondent group, most respondents selected 'change to whole council elections.' A total of 1,471 respondents indicated that they had a health problem or disability, limiting them a little or a lot. Of these 807 (55%) selected 'change to whole council elections', 552 (37%) selected 'keep the current system' and 112 (8%) selected 'no preference'.

Table 8

Health problem or disability	Change to 'Whole Council Elections'		Keep current system		No preference		Total	
	No.	%	No.	%	No.	%	No.	%
Limited a lot	286	57%	182	36%	36	7%	504	100%
Limited a little	521	54%	370	38%	76	8%	967	100%
No health problem or disability	2689	60%	1469	33%	336	7%	4494	100%

9.4 Postcode District

Most respondents in all postcode districts selected 'change to whole council elections'. PL1 district had the highest percentage of respondents selecting 'change to whole council elections' (65%).

PL7 had the highest percentage of respondents selecting 'keep the current system' (37%). In all other districts, except for PL1, 35 per cent of respondents selected 'keep the current system'. PL4 district had the highest percentage of respondents who selected 'no preference' (11%).

Table 9

NB: Percentage results should be treated with caution where the responding numbers are low.

District	Change to 'Whole Council Elections'		Keep current system		No preference		Total	
	No.	%	No.	%	No.	%	No.	%
PL1	423	65%	185	28%	44	7%	652	100%
PL2	347	57%	211	35%	50	8%	608	100%
PL3	523	58%	311	35%	64	7%	898	100%
PL4	413	54%	262	35%	83	11%	758	100%

PL5	439	56%	276	35%	71	9%	786	100%
PL6	537	58%	327	35%	68	7%	932	100%
PL7	442	57%	283	37%	48	6%	773	100%
PL9	490	60%	285	35%	43	5%	818	100%

The highest percentage of respondents who selected 'change to whole council elections' are located around the central, waterfront and Plymstock areas. The highest percentage of respondents who selected 'keep the current electoral system' are located in the north and Plympton area of the city.

10. STAKEHOLDER LETTERS

Stakeholder toolkits were developed and sent to key local organisations with a request to assist with promotion, alongside a personal letter from the Council's Chief Executive, inviting feedback on the Council's electoral cycle. Four responses were received, each indicating that they had reached a consensus as an organisation that they would be supportive of a change to 'whole council elections'.

Arts University Plymouth

"Arts University Plymouth's executive team is in favour of an 'all out' election."

Police and Crime Commissioner

"I support the change to the election cycle in Plymouth to every four years. Democracy is at the heart of a cohesive society".

The Police and Crime Commissioner provided several reasons including:

- Alignment with the Police and Crime Commissioner elections
- Stability of leadership for a period of four years at a time, enabling better long-term financial and policy decisions
- The cost to the taxpayer for multi-year elections is an important consideration.

Plymouth Community Homes (PCH)

"Plymouth Community Homes is in favour of the council moving away from the 'elections by thirds' system and would support the authority in adopting an alternative model where local elections are held every four years, with all 57 seats on the council contested at the same time."

- PCH feels the 4-year system provides clearer opportunities for our residents, our staff and our community partners to both understand and engage with the election cycle, and this would help to reduce voter apathy.
- It would enable a longer-term commitment to change, which could impact positively on our services and our operational work where we are working in close partnership with the council.
- A key point in our recommending the 4-year cycle is also linked to how we manage and govern ourselves. Our Board meets six times a year and is made up of 12 people, including two PCH tenants and two nominees from Plymouth City Council who are sitting ward councillors.
- The current 'election by thirds' system can result in frequent change to the sitting ward councillors who are members of the Board of PCH, and this causes some disruption as it impacts on the continuity of our governance arrangements.

Plymouth Marjon University

“A consensus was reached [University’s Executive Leadership Team] that the move to a four-year cycle appeared favourable, both in terms of simplicity for the voter and additionally the financial impact.”

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Council Size Proposal		25 November 2024
Section	Page	Changes from previous version (24 June 2024)
Portfolios	15	Corrected Portfolio Holder titles
Casework	39	Amendment to future forecast population growth as requirement to take the forecast to 2031. Amendment to number of electors per councillor due to updated forecast to 2031
	41	Amendment to future forecast housing trajectory due to requirement to take the forecast to 2031.
	42	Amendment to future projected electorate due to requirement to take the forecast to 2031.
Summary	43	Amendment to future projected electorate per councillor due to requirement to take the forecast to 2031.

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Audit and Governance Committee – Tracking Decisions 2024/25

Minute No.	Resolution	Date Due & Progress
<p>Minute 42</p> <p>Risk Management Monitoring Report November 2023</p> <p>28 November 2023</p>	<p>A SharePoint page would be created for members of the Committee, to see risk management information in near real time.</p>	<p>Date Due: January 2024</p> <p>Officer Responsible: Ross Jago</p> <p>Progress: Request formally made 1 December 2023. Chased 26 March 2024, 23 April 2024, 12 July 2024.</p>
<p>Minute 59</p> <p>External Audit – Audit Findings Report 2020/21</p> <p>12 March 2024</p>	<p>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 (Service Director for Finance) would let members of the Committee know, as well as any other relevant Councillors.</p>	<p>Date Due: Ongoing.</p> <p>Officer Responsible: David Northey</p> <p>Progress: Formal request sent 13 March 2024. Update provided to the Committee at the 23 July 2024 and 10 September 2024 meetings. Further updates to be provided when possible.</p>
<p>Minute 60</p> <p>Whistleblowing Policy</p> <p>12 March 2024</p>	<p>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.</p>	<p>Date Due: 27 March 2024</p> <p>Officer Responsible: Ross Jago</p> <p>Progress: Formal request sent 13 March 2024. Chased 26 March 2024, 23 April 2024, 12 July 2024, 12 August 2024.</p>

Audit and Governance Committee – Tracking Decisions 2024/25

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, 12 August 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, 12 August 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, 12 August 2024.
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, 12 August 2024.

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 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, 12 August 2024.
Minute 19 Recommendation 2 Constitutional Update 23 July 2024	Review the efficiency and effectiveness of these changes at an Audit and Governance Committee meeting in March 2025.	Date Due: 11 March 2025 Officer Responsible: Ross Jago Progress: Added to the work programme 24 July 2024 for the 11 March 2024 meeting.
Minute 23a & 23l Annual Information Governance Statement 23 July 2024	The Annual Information Governance Statement report was to be split into Part I and Part II. Furthermore, it would include benchmarking figures, if obtained, on numbers of requests.	Date Due: July 2025 Officer Responsible: John Finch Progress: Requested for the July 2025 meeting.
Minute 32 Committee Self-Assessment 10 September 2024	Councillors who had been substitutes on the Committee would be invited to complete the self-assessment.	Date Due: 17 September 2024 Officer Responsible: Ross Jago Progress: Formal request made 12 September 2024.

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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 Chandler-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	Elinor Firth
10 September 2024	Update on External Audit Recommendations	Standing Item (Verbal Update)	David Northey
	Capitalisation Direction Update		David Northey
	Internal Audit Progress Report		Louise Clapton
	Committee Self-Assessment		David Northey/Ross Jago
	Health, Safety and Wellbeing Annual Report 2023/24	Annual Report	Kirstie Spencer
	Family of Companies		Liz Bryant
12 November 2024	Plymouth City Council Audit Plan 2023/24		Jackson Murray
	Interim Auditor's Annual Report		Jackson Murray
	Update on External Audit Recommendations	Standing Item	David Northey
	Counter Fraud Half Year Report	Half Year Report	Ken Johnson
	Internal Audit Actions report		Louise Clapton
	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
	Risk Management Monitoring Report		Ross Jago
	Performance and Accountability Framework	Moved from September to November on 28 Aug 2024.	Ross Jago
	Committee Self-Assessment	Added by officers 30 August 2024.	David Northey/Ross Jago
	Electoral Cycle Consultation		Liz Bryant/Caroline Marr/Andrew Binding/Ellie Firth
14 January 2025	Update on External Audit Recommendations	Standing Item	David Northey
	Committee Self-Assessment	Added during 10 September 2024 meeting.	Ross Jago/David Northey
	Treasury Management Board Update	Update Report	Wendy Eldridge
	Treasury Management Strategy Update		Wendy Eldridge

18 February 2024 (Additional Meeting)	Capitalisation Direction Update		David Northey
	TBC (Update on External Audit Progress 19/20-23/24)		Paul Dossett
	Update on External Audit Recommendations	Standing Item	David Northey
	Statement of Accounts: 2021/22, 2022/23, 2023/24		Carolyn Haynes
11 March 2025	External Audit Progress Report		Paul Dossett
	External Audit – Audit Findings Report 2023/24		Paul Dossett
	Update on External Audit Recommendations	Standing Item	David Northey
	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
	Review of efficiency and effectiveness of Constitutional Updates	Identified for consideration at the July 2024 meeting.	Ross Jago
	Risk Management Monitoring Report		Ross Jago
Items to be schedule for 2024/25			
2024/25	Regulatory Regimes	Identified for consideration at the March 2024 meeting.	Ross Jago
2024/25	Pre-Election Period Rules	Identified for consideration at the July 2024 meeting.	Liz Bryant
Items to be scheduled for 2025/26			

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