

#### Oversight and Governance

Chief Executive's Department Plymouth City Council Ballard House Plymouth PLI 3B

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#### **AUDIT AND GOVERNANCE COMMITTEE**

Tuesday 18 February 2025 2.00 pm Council House, Plymouth

#### **Members:**

Councillor Allen, Chair
Councillor Finn, Vice Chair
Councillors Cuddihee, P.Nicholson, Raynsford and Stevens.
Independent Member Annette 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**

#### I. 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 I - 22)

To confirm the minutes of the meeting held on 12 November 2024, 11 December 2024 and 14 January 2025.

#### 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.	Capitalisation Direction Update:	(Verbal Report)
6.	External Audit - Audit Findings Report 2023/24:	(Pages 23 - 66)
7.	Approval of Statement of Accounts 2023/24:	(Pages 67 - 256)
8.	Update on External Audit Recommendations:	(Verbal Report)
9.	Updated Treasury Management Strategy 2025/26:	(Pages 257 - 292)
10.	Updated Capital Financing Strategy 2025/26:	(Pages 293 - 302)
11.	Adult Social Care Debt Management:	(Pages 303 - 324)
12.	Civic Protocol:	(To Follow)
13.	Tracking Decisions:	(Pages 325 - 330)
14.	Work Programme:	(Pages 331 - 334)

#### **Audit and Governance Committee**

#### **Tuesday 12 November 2024**

#### PRESENT:

Councillor Allen, in the Chair.

Councillor Finn, Vice Chair.

Councillors Noble (substitute for Councillor Cuddihee), P.Nicholson, Raynsford and Independent Member Annette Benny.

Apologies for absence: Councillors Cuddihee and Stevens.

Also in attendance: Liz Bryant (Head of Legal Services), Hannah Chandler-Whiting (Democratic Advisor), Wendy Eldridge (Lead Accountancy Manager), Carolyn Haynes (Interim Head of Finance), Ross Jago (Head of Governance, Performance and Risk), David Northey (Service Director for Finance), Oliver Woodhams (Head of Finance) and Louise Clapton (Devon Audit Partnership), Ken Johnson (Devon Audit Partnership) and Jackson Murray (Grant Thornton).

The meeting started at 2.02 pm and finished at 4.32 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.

#### 37. **Declarations of Interest**

A general dispensation was in place for Committee Members in relation to the following item: Council's Electoral Cycle Consultation.

#### 38. Minutes

The minutes of the meeting held on 10 September 2024 were agreed as an accurate record.

#### 39. Chair's Urgent Business

There were no items of Chair's urgent business.

#### 40. Plymouth City Council Audit Plan 2023/24

Jackson Murray (Grant Thornton) introduced the report and highlighted:

- a) Ethical standards meant that lead auditors rotated every five years and Jackson Murray would be taking over from Paul Dossett from 2023/24 accounts onwards;
- b) The backstop date was 13 December 2024 for all accounts up to and including 2022/23;

- c) The 2023/24 audit had been underway since September 2024 and was making good progress;
- d) The backstop for 2023/24 would be February 2025.

Supported by Carolyn Haynes (Acting Head of Finance), in response to questions, the following was reported:

- e) Valuation of council land and buildings was a common risk due to the high value;
- f) The Council was required to estimate what amount would be needed to pay out to all future pensioners should the pension liabilities crystallise and the auditors needed to ensure the assumptions were reasonable;
- g) Committee Members would be provided with current asset valuation information;
- h) The Council did not have any assets with negative value;
- i) There was no update on the capitalisation directive, and if there was an update, it would be shared with Committee Members.

#### 41. Auditor's Annual Report (Interim Version) for the year ended 31 March 2024

Jackson Murray (Grant Thornton) introduced the report and highlighted:

- a) The final version was expected to be issued in three months' time;
- b) Value for money findings must be reported by November each year;
- c) Two significant weaknesses had been identified in the same report for the 2022/23 financial year;
  - i. Financial sustainability and Grant Thornton had recommended that the Council should update its Medium-Term Financial Strategy (MTFS) which remained open but an updated MTFS had been presented to Cabinet on 11 November 2024;
  - ii. Need to improve economy efficiency and effectiveness in Children's Services following an Ofsted improvement notice;
- d) There was evidence that the Council was discussing savings transformation regularly but it needed to be more clear on how different programs were being pulled together and ensure that the transformation that was required to maintain financial sustainability could be evidenced:
- e) Improvement recommendations related to sensitivity analysis required within the MTFS and a need to report the split between recurrent and non-recurrent savings as well as the need for a review of the Corporate Risk Register and reporting high level improvements made following fraud investigations each year;

f) Procurement readiness action plan needed to be reported to the Committee ensuring the Council was ready for the implementation of new procurement policy in 2025.

In response to questions, the following was reported:

- g) A link to the MTFS report that had gone to Cabinet would be shared with Committee Members;
- h) The MTFS would be reviewed by Grant Thornton;
- i) The publication of the MTFS had been delayed by the General Election in July 2024;
- j) Grant Thornton would not provide a detailed expectation for budget setting, it would not be appropriate in relation to national budget, though this is provided more generally by LGA and other forums and organisations which could be shared;
- k) Procurement Readiness Action Plan would be added to the work programme.

#### 42. Counter Fraud Half Year Report

Ken Johnson (Counter Fraud Services Manager, Devon Audit Partnership) introduced the report and highlighted:

- a) Following a recommendation from Grant Thornton, more detail would be provided in counter fraud reports moving forward;
- b) A new offense of 'failure to prevent fraud' had been created, but the team were still waiting for guidance on this from Government and the risk would need to be considered and an updated Anti-Bribery and Corruption Policy would be brought to Committee for approval;
- c) Savings were as expected for the time of year.

The Committee expressed their thanks to Ken for his continued good work.

#### 43. Internal Audit Half Year Report 2024/25

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

- a) The Head of Internal Audit mid-year assurance opinion was reasonable assurance on 30 September 2024:
  - i. 100% of audit assurance opinions were of reasonable assurance and 100% of grants were certified without amendment;
  - ii. There were two limited assurance audit opinions at draft when the report was published and whilst this would affect percentages, it would not affect the overall opinion;
- b) Progress against delivery the internal audit plan was at 67%;

- There were two additions to the plan agreed previously: Adult social care client contribution income and the LGA Improvement and Assurance Framework at the request of senior management;
- d) The scope of the budget management audit would be extended to include valuation against CIPFA's financial management code;
- e) Homelessness had been deferred in order to complete work on the adult social care client contribution income;
- f) Performance management was replaced with work around the Council's family of companies governance.

#### The Committee <u>agreed</u> to:

- 1. Note the mid-year assurance opinion statement;
- 2. Note the findings.

#### 44. Internal Audit Management Action Tracker Q2 2024/25

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

- a) This tool was used to track actions of limited assurance to monitor and ensure management actions were taken appropriately and promptly;
- b) This report was unchanged from QI;
- c) Of the 123 management actions agreed 41% have been implemented and of the outstanding actions 48% were overdue, but 88% of those actions were partially implemented;
- d) Good engagement from across the Council in recommendations but some actions took longer than expected.

In response to questions, the following was explained:

- e) Work looking into adult social care debt management was ongoing and would be reported on in more detail at a future meeting;
- f) Using external legal support for adult social care debt management was not being considered as an option.

#### The Committee <u>agreed</u> to:

1. Note the implementation of internal audit recommendations.

#### 45. Treasury Management Mid-Year Report 2024/25

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

- a) There had been very little movement since the last report provided to the Committee;
- b) There had been higher investments made in money market funds;
- c) The first £5 million LOBO (Lender option borrower option) call in had been made in August 2024 and there was one remaining LOBO call-in for 2024/25;
- d) LOBO's had been very popular but now the strategy was to pull out when advisable because of high interest rates;
- e) The borrowing strategy was a challenge but lower interest rates had begun to be secured;
- f) New borrowing continued to be a challenge during a period of interest volatility;
- g) Some borrows would only lend to authorities who had their latest accounts signed off, a position Plymouth City Council was not in;
- h) Savings in this area resulted in a forecast underspend for this area;
- i) There had been compliance against prudential indicators except for non-compliance to prudential indicator for interest rate exposure through upper limit on fixed interest rate exposure being exceeded.

In response to questions it was reported:

- j) The average interest rates were between 1.37-2.54%;
- k) A short-term approach was being taken towards interest rates at the time because a reduction was predicted for the future and this was under constant review;
- I) There would always be cash-rich authorities who were keen to lend, but some had moved from lending to borrowing authorities because of varying circumstances, so the market of lending authorities was smaller.

#### The Committee <u>agreed</u> to:

- 1. Note the Mid-year Treasury Management Report;
- 2. Note non-compliance to prudential indicator for interest rate exposure through upper limit on fixed interest rate exposure being exceeded.

#### 46. Treasury Management Strategy 2025/26

Wendy Eldridge (Lead Accountancy Manager) introduced this report and highlighted:

- a) The Strategy included documents for the 2025/26 were only just made available and so the interest rate and economic forecast was subject to change;
- b) The approach for the Investment Strategy was: security, liquidity and yield;

- c) The Buying Strategy was a balance between securing the lowest cost of interest and ensuring the cost will cover the period of funds required;
- d) Prudential indicators were required under the Treasury Management Code of Practice, and set out the operational boundaries of borrowing;
- e) The report focussed on the Property Regeneration Fun and the return from investments into economic development property;
- f) The report would be updated to include the economic interest rate forecast released by Arlingclose in November 2024.

In response to questions, the following was explained:

- g) The International Financial Reporting Standards (IFRS) 16 accounting rules had changed which was reflected in the report in changes in Private Finance Initiative (PFI) liabilities and leases;
- h) All borrowing costs were included in the Medium Term Financial Strategy (MTFS);
- i) The Capital Investments had been analysed to ensure there would be growth within the Council in future years;
- j) Grant funding would be used to alleviate some borrowing;
- k) The report included a Liability Benchmark Chart.

The Committee <u>agreed</u> to:

I. Recommend the Treasury Management Strategy 2025/26, that incorporated the authorised limits, operational boundaries and prudential indicators, to City Council for approval.

#### 47. Capital Financing Strategy 2025/26

Wendy Eldridge (Lead Accountancy Manager) introduced this report and highlighted:

- a) In 2024/25 additional governance would be added for projects going through the Capital Programme Officer Group (CPOG);
- b) The Five Year Programme totalled nearly £373 million and highlighted that just under £92 million would be financed through Corporate Borrowing;
- c) The borrowing requirement would be accommodated within the MTFS;
- d) £124 million of the Programme would be financed through service borrowing.

In response to questions, it was explained:

e) The five year programme was subject to change and this was reflected in the report.

#### The Committee agreed:

1. To recommend the Capital Financing Strategy to Council for approval.

#### 48. Risk Management Monitoring Report

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

- a) There were 18 risks in total on the Strategic Risk Register;
- b) Three risks had been removed from the Strategic Risk Register in the last quarter, including lack of adult social care workforce, IT supply chain complaints, and Senior Leadership capacity;
- c) The top three risks on the Strategic Risk Register included: cyber-attacks, finance and Integrated Commissioning.

The Committee <u>agreed</u> to note the report.

#### 49. Performance and Accountability Framework

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

- a) The Data Quality Strategy had been agreed by the Corporate Management Team and gone through the internal governance processes and would be brought before the Committee in the future;
- b) Work was being done with the new Chief Operating Officer to implement AI across data pipelines to ensure they were robust and consistent. This would inform the Data to Intelligence Strategy.

#### 50. Committee Self-Assessment

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

a) Members, substitutes, and former Members of the Committee had received a questionnaire to complete, and answers would be provided to Council in 2025.

#### 51. Council's Electoral Cycle Consultation

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

a) The report had been before the Committee previously, but was brought back as the consultation period had ended;

- The consultation was carried out over an eight week period between 24 July 2024 and 22 September 2024, asking the public to choose between whole council elections or to keep the current system;
- 7,055 responses were received for the consultation, and there were four stakeholder responses from the University of Plymouth, The Police and Crime Commissioner, Plymouth Community Homes and Plymouth Marjon University;
- d) The responses were as follows: 4,063 wanted to change to whole council elections, 2,443 wanted no change, and 545 had no preference.

#### Caroline Marr (Senior Policy Advisor) added:

- e) Face to face groups had been run with the Youth Parliament;
- f) Councillor sessions had been run for the public to ask questions and find out more about the electoral cycle;
- g) The consultation was promoted through the Council's Communications Team and Elections Team;
- h) Democracy and stability were the key themes that emerged from the consultation analysis.

In response to questions, it was explained:

i) Validation was done to ensure against duplicates in the consultation, however as this was an open survey there was no way to ward against the public providing their opinion more than once and providing different answers.

The Committee <u>agreed</u> to the following recommendations:

- To receive the electoral cycle consultation summary report at Appendix A and recommend that the City Council determined at its meeting on 25 November 2024 whether to make a change to its electoral cycle arrangements;
- 2. To note the amendments to the Council Size Submission at Appendix B arising from a change in forecasting date to 2031;
- 3. To authorise the Monitoring Officer 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.

#### 52. Tracking Decisions

The Committee <u>agreed</u> to note its Tracking Decisions document.

#### 53. Work Programme

The Committee <u>agreed</u> to add adult social care debt management to the work programme.

The Committee  $\underline{agreed}$  to note its work programme.

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#### **Audit and Governance Committee**

#### Wednesday II December 2024

#### PRESENT:

Councillor Finn, Vice Chair in the Chair.

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

Apologies for absence: Councillors Allen, P.Nicholson, Stevens and Independent Member Annette Benny.

Also in attendance: Councillor Lowry, Liz Bryant (Head of Legal Services), Carolyn Haynes (Acting Head of Finance), Ross Jago (Head of Governance, Performance and Risk), Oliver Woodhams (Head of Finance) and Paul Dossett (Grant Thornton (via Microsoft Teams)) and David Johnson (Grant Thornton (via Microsoft Teams)).

The meeting started at 10.05 am and finished at 11.08 am.

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.

#### 54. **Declarations of Interest**

No declarations of interest were made.

#### 55. Chair's Urgent Business

There were no items of Chair's urgent business.

#### 56. Auditors Annual Report

Carolyn Haynes (Acting Head of Finance) gave context on the meeting and highlighted:

- a) Apologised for the lateness of the reports;
- b) The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance circulated to Committee Members had not been issued until 9 December 2024;
- c) The audit opinion had not been received until late on 3 December 2024 and the consequential reports then had to be written and assimilated;
- d) As of 30 April 2024, 369 sets of local authority accounts out of a total of 625 for the financial years 2020/21 and 2022/23 were still waiting to be audited;

- e) Local authorities across England and Wales had experienced a significant backlog in completion of audits for several years which had been reported as a crisis;
- f) In February 2024 the Ministry for Homes, Communities and Local Government (MHCLG) issued a joint statement with CIPFA and the Finance Reporting Council (FRC) on proposals to address the backlog as a three stage process;
- g) New statutory backstop dates for all finance years up to and including 2027/28 needed to be established;
- h) Long-term work was required to address the systemic challenges that had led to this audit backlog;
- i) 13 December 2024 had been set as the backstop date for all outstanding audits up to and including 2022/23;
- j) Plymouth City Council had two financial year statements affected by the backstop for 2021/22 and 2022/23;
- k) The accounts for 2019/20 and 2020/21 would be signed off by 13 December 2024 with an unmodified opinion and were not affected by the backstop position;
- I) Draft accounts were published on the Council's website and had been presented to the Audit and Governance Committee previously;
- m) Auditors were contracted audit to professional standards and in accordance with the code of practice;
- n) A Disclaimed Opinion from Grant Thornton was included within the report and was worded as follows: 'Grant Thornton had not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements due to an outstanding legal issue which had now been resolved and capacity issues within Grant Thornton over the last four years, it had not been possible for Grant Thornton to complete their work on the audit for 2021/22 and 2022/23 and therefore they had issued a disclaimed opinion';
- o) The Disclaimed Opinion implications included:
  - i) The Council had, in recent years, received an unmodified or unqualified opinion and the most recent accounts for 2019/20 and 2020/21 received an unmodified opinion. As this was a national issue affecting many local authorities, the Government may have to intervene to provide more assurance for those authorities receiving a disclaimed opinion under the statutory back stop arrangement;
  - ii) The Council would be working hard to ensure that they provided the necessary evidence in future audits to restore public confidence in accounts and to work towards receiving an unmodified opinion as soon as possible;
- p) The Public Sector Audit Appointments Panel set Audit Fees at a scale fee for 2021/22 of £111,393 and for 2022/23 of £122,255. The Audit Fees for 2023/24 were £375,258 and for

2024/25 were £409,064.

Councillor Lowry (Cabinet Member for Finance) added:

- q) Audits were now undertaken by private firms such as Grant Thornton; this service used to be provided by the Audit Commission;
- r) The report was up to three years out of date and addressed issues which were no longer relevant;
- s) Due to there no longer being an Audit Commission, and every Council had to use private firms, there was a lack of capability and capacity;
- t) A detailed action plan was needed from the auditors outlining what they were going to audit, and when they were going to do it, to prevent the delay happening again.

Paul Dossett (Grant Thornton) added:

- u) Grant Thornton had signed over 80% of audits from 2022/23 and earlier;
- v) Plymouth City Council had complied with the regulations in terms of producing accounts, however there had been an ongoing legal issue which had led to the backstopping of two audits:
- w) This report had been brought before the Committee previously as an 'interim' report, but now was able to be finalised.

In response to questions, supported by Oliver Woodhams (Head of Finance) and David Johnson (Grant Thornton) it was explained:

- x) The legal issue was resolved when Plymouth City Council was able to redraw the accounts from 2019/20:
- y) Outside of work around value for money, no audit procedures had been carried out on the reports from two years ago;
- z) Due to the Government implementing the backstop, Grant Thornton had been unable to provide audit assurance on the 2021/22 and 2022/23 accounts;
- aa) Imposing a backstop did not solve the fundamental problem of the lack of auditors;
- bb) It was suggested that the Chair of the Audit and Governance Committee would meet with council officers and Grant Thornton auditors on a regular basis to ensure documents were not brought before Committee so late again;
- cc) There needed to be a period of recovery in which audits would be carried out as normal, including the in-year transactions and closing balances, but there would also be work on opening balances which would comments in 2024/25 and 2025/26;

- dd) An Audit opinion for 2022/23 would be received by the Council on 30 December 2024, and an Audit Opinion for 2022/23 would be received by the Council by March 2024 for 2023/24:
- ee) A 'normal' Disclaimed Opinion was when auditors could not place reliance on the numbers, however this Disclaimed Opinion was by Statute, meaning the Government imposed the Disclaimer, preventing auditors from finishing audits and reaching conclusions;
- ff) Closing balances and in-year transaction audits would still be carried out in 2024/25, it was the auditing of opening balances that there was not clarity on from the Government;
- gg) Auditing standards determines what auditors had to focus on, although the Government might be considering another model for local government auditing in the future;
- hh) Grant Thornton would adhere to report deadlines to ensure Councillors had enough time to read the report before the meeting in February 2025 to approve the statement of accounts for 2023/24;
- ii) The backstop process was unique to reset the sector and move audits forward and all auditors would be working on one set of accounts from 2024/25;
- jj) Audit work would be carried out on future years and levels of assurance would increase the more years that pass from the backstop arrangements, but the process of recovery had begun;
- kk) The backstop arrangement would allow Carolyn Haynes and her team to focus on the audit for 2023/24.

During the discussion, concerns about the timing of reports were raised:

- II) Councillors expressed their frustration and concern of receiving reports late the evening before the meeting which did not allow them to carry out their role properly as members of the Committee;
  - mm) Councillors wanted to ensure that this issue did not occur again ahead of the meeting in February 2025 to approve the 2023/24 Statement of Accounts;
  - nn) Grant Thornton had been holding regular meetings with Carolyn Haynes and her team with regards to the 2023/24 audit and recognised following comments made with regards to the lateness of the reports for this meeting that appropriate resource was allocated;
  - oo) Grant Thornton explained that they did not have any concerns at the time of the meeting about not meeting deadlines for the February 2025 meeting and the team were committed to getting the audit progressed and completed and would comply with reporting deadlines;
  - pp) Work on timeline and deadlines would be done with Grant Thornton before Christmas to ensure the timely publication of reports for the Committee meeting in February.

The Committee <u>agreed</u> to:

- I. Note the report;
- 2. Recommend the creation of an Audit Plan and that the Chair of the Audit and Governance Committee should meet with Council officers and Grant Thornton auditors on a regular basis to ensure documents were not brought before Committee late again.

#### 57. Audit Findings Reports 2021/22 and 2022/23

David Johnson (Grant Thornton) introduced the report and highlighted the following points:

- a) Previous reports had given a detailed outline of the work that had been done to reach the conclusion for the factors set out in the previous item;
- b) This report provided short form audit findings.

The Committee <u>agreed</u> to note the report.

#### 58. Approval of Statement of Accounts 2021/22 and 2022/23

Carolyn Haynes (Acting Head of Finance) introduced the report and highlighted the following points:

- a) The changes to the accounts reflected changes which had been put through in relation to previous audit findings for 2019/20 and 2021 accounts;
- b) Changes had also been made to reflect the change in accounting treatment of the pension transaction in 2019/20, to move it from being a Capital Transaction to a Revenue Transaction:
- c) There was a negative working fund balance, however this would be resolved when the Capitalisation Directive was received;
- d) Associated Minimum Revenue Provision and Associate Reserve Movements had been removed in relation to the pension transaction;
- e) Changes had been made for the accounting treatment of the interest rate swap which was previously treated as a hedge transaction;
- f) Amendments had been made to the notes on Heritage Assets to include items below £100,000 and the special books collections;
- g) Corrections had been made to Property Plant and Equipment, arising from making annual depreciations charges on material assets values as at the 31 March.

The Chair reiterated:

h) The Committee's frustration at the lateness of the reports;

- i) That Committee members had not had appropriate time to consider the reports;
- j) He was putting the recommendations forward with reservations, but was reassured by officers.

#### The Committee agreed:

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

#### 59. Tracking Decisions

The Committee <u>agreed</u> to note its tracking decisions document.

#### 60. Work Programme

The Committee agreed to note its work programme.

#### **Audit and Governance Committee**

#### Tuesday 14 January 2025

#### PRESENT:

Councillor Allen, in the Chair.

Councillor Finn, Vice Chair.

Councillors Cuddihee, Freeman (substitute for Councillor Stevens) Raynsford and Independent Member Annette Benny.

Apologies for absence: Councillor Stevens.

Also in attendance: Liz Bryant (Head of Legal Services), Hannah Chandler-Whiting (Democratic Advisor), Holly Golden (Head of Procurement), Carolyn Haynes (Lead Accountancy Manager), David Northey (Service Director for Finance), Louise Clapton (Devon Audit Partnership) and David Johnson (Grant Thornton).

The meeting started at 2.02 pm and finished at 3.08 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.

#### 61. **Declarations of Interest**

Name	Item Number	Reasons	Interest
Annette Benny	9	Non-Executive	Other registerable
		Board Member for	interest.
		Livewell	

#### 62. **Minutes**

The Committee expressed that the following with regards to the minutes:

- a) The 12 November 2024 minutes contained some minor errors;
- b) The 11 December 2024 minutes required additional detail on the Committee Members discussion around the lateness of the reports for that meeting.

It was therefore <u>agreed</u> that the minutes would be revised and brought to the next meeting of the Committee for approval.

#### 63. Chair's Urgent Business

There were no items of Chair's urgent business.

#### 64. Capitalisation Direction Update

David Northey (Service Director for Finance) provided an update and highlighted the following points:

- a) No progress had yet been made with regards to the capitalisation directive;
- b) He was still in regular contact with Ministry of Housing, Communities and Local Government (MHCLG) colleagues and was due to speak to them that week;
- c) The conclusion was expected towards the end of January 2025/early February 2025.

In response to questions it was further explained:

- d) MHCLG did not treat cases individually and Plymouth City Council was 1 of 19 Councils who applied for exceptional financial support, but he was pushing against that as Plymouth's situation was more unique;
- e) The budget for 2025/26 could be set without an outcome, but this was not preferred.

#### 65. External Auditor - Audit Progress Report and Sector Updates

David Johnson (Grant Thornton) introduced the report and highlighted:

- a) There were lessons to be learnt from the December 2024 meeting of the Audit and Governance Committee and the very late provision of reports to Committee Members and Grant Thornton were working towards providing reports in a timely manner for the February 2025 meeting of the Audit and Governance Committee to sign off the reports;
- b) The 2023/24 accounts backstop date was 28 February 2025;
- c) The field work on the 2023/24 accounts was due to be completed within the following two weeks;
- d) Grant Thornton were on site in Plymouth w/c 13 January 2025 to discuss outstanding issues with officers;
- e) The audit opinion would be disclaimed due to lack of assurance over opening balances and Grant Thornton expected the 2024/25 audit opinion to be subject to a form of qualification as well, with an aim to move to unqualified opinions in future years following a rebuilding of assurance.

In response to questions, with support from Carolyn Haynes (Lead Accountancy Manager) and David Northey (Service Director for Finance), it was further explained:

f) New guidance on low value leases would only be relevant for 2024/25 accounts onwards but it would be a responsibility of Council management to deem which leases were low value, especially as this might vary between different local authorities;

- i. Grant Thornton would provide a response outside of the meeting to Committee Members on how assets that might have had a low value when new but were, at present time, valuable, would be dealt with;
- ii. Identification of low values leases was ongoing and there was a meeting scheduled for 17 January 2025 with Arlingclose, the Council's treasury management and financial advisors, to discuss the impact of IFRS16 (Independent Financial Reporting Standard) on the Council;
- iii. The volume of leases meant it was a sizable task for a small team, but the officers would, of course, do their best and a report would be provided to the Audit and Governance Committee once work was complete;
- g) Grant Thornton would respond outside of the meeting on elaboration on the following paragraph from a report presented to the Audit and Governance Committee in December 2024, and if this was going to be further clarified in the report for February 2025, as the colleagues who had worked on that report were not present for the meeting;
  - i. "The MTFS, in February 2022, shows a cumulative deficit over the next four years to 2026/27 of £118 million, however this gap has widened significantly to £256 million, in September 2022, as the MTFS fifth years has been recalculated to include the 2027/28 financial year. The financial risks facing the Council are significant and given the low level of reserves, current indications are that the Council's financial position is critical."
  - ii. David Northey (Service Director for Finance) reported that the MTFS (Medium Term Financial Strategy) had been through Cabinet and City Council in November 2024;
  - iii. There had been an £18 million budget gap for 2025/26, but this had been updated to a balanced budget as of 13 January 2025 and would have a direct impact on future years;
  - iv. There was work to do but the gap would not be in the region of £118-256 million;
  - v. His opinion on the robustness of the reserves would form part of the reports due to be presented to the Committee in February 2025;
  - vi. The MTFS was recalculated to include 2027/28 as it was a rolling 5 year plan;
- h) The team would provide answers to the suggested questions by Grant Thornton (on Page 25 of the agenda pack) on IFRS16 in a report to a future meeting.

#### 66. Update on External Audit Recommendations

David Northey (Service Director for Finance) provided the following verbal update:

a) There were two outstanding recommendations that were rolling forward;

- i. The first related to sustainability which was an issue for the whole public sector, not just Plymouth;
- ii. The second related to being more open and transparent about our reserves and how robust they were;
- b) More recommendations would be released soon as the team moved towards the next set of accounts.

#### 67. Treasury Management Board Update

David Northey (Service Director for Finance) provided a verbal update:

a) Due to member availability and other factors, the December 2024 meeting was postponed and therefore there was an update. A written report would be provided at the next Committee meeting.

#### 68. Adult Social Care Debt Management 2024/25

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

- a) The scope and objective of the audit report was to provide the Council with an audit opinion on the systems, processes and procedures in place to recover adult social care debt;
- b) The audit opinion was of limited assurance because adult social care debt was not effectively or promptly recovered;
- c) The report was issues in draft in October 2024 which gave management time to consider the content of the report and to provide their response and agree a management action plan and the final report was issue on 29 November 2024, where 11 recommendations were made in total:
- d) On 19 December 2024 an adult social care debt management meeting took place where the report and management action was discussed and six of the recommendations had been implemented, which the remaining five having action ongoing;
- e) Monthly meetings were taking place to discuss adult social care debt management and the Audit and Governance Committee would be updated on this through the regular reporting.

David Northey (Service Director of Finance) explained:

f) He would be able to provide a more detailed report for discussion at the next meeting of the Audit and Governance Committee as a lot of work was being undertaken to improve this area.

The following was discussed during questions asked:

- g) The budget for 2025/26 included an increase of 6 FTE (Full Time Employment) roles into the debt recovery team to invest to save;
- h) The Devon ICB (Integrated Care Board) debt reported had been resolved since the report was written;
- i) Colleagues from Adult Social Care would be in attendance at the next meeting;
- More detail could be provided at the next meeting on the processes around care assessments and the Council safeguarding against debt;
- k) It had been reported to Councillors that some people were leaving hospital without a care assessment in place, which would impact funding for care needs.

#### 69. Procurement Act Readiness Action Plan

Holly Golden (Head of Procurement) introduced the report and highlighted the following:

- a) The report was presented to the Committee so they had visibility of the Council being ready for the implementation of the upcoming new Procurement Act;
- b) The new act had been delayed by the 2024 General Election, and would come into place on 24 February 2025;
- c) Contract Standing Orders would not change as a result of the new act;
- d) Key principles remained the same;
- e) The Procurement Act 2023 was not retrospective and would only apply to new procurement activity;
- f) Some changes built on good practice the Council had already implemented;~
- g) There would be increased flexibility;
- h) There would be an increase in mandatory notices.

In response to questions it was further reported:

i) Light touch contracts definition was remaining the same relating to health and social care areas due to the nature of the procurement.

The Committee <u>agreed</u> to not the progress made on the delivery of the Council's Procurement Act Readiness Action Plan.

(Councillor P. Nicholson joined the meeting during this item)

#### 70. Committee Self-Assessment

Hannah Chandler-Whiting (Democratic Advisor) provided a verbal update:

- a) The link to the self-assessment would be recirculated to Committee members following the meeting;
- b) Reminded members of the importance of completing the self-assessment as soon as possible so that the results could be included in the Audit Annual Report due in March 2025.

Following a short discussion:

c) It was agreed that the terms of reference for the Committee would be shared along with the link to the self-assessment.

#### 71. Tracking Decisions

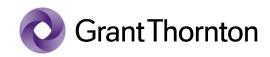
The Committee <u>agreed</u> to note its tracking decisions document.

#### 72. Work Programme

The following was discussed during this item:

- a) Desire from Committee members to schedule the item 'Pre-election Period Guidance' before the end of the 2024/25 municipal year, so that the same Councillors that requested the item be added to the work programme, could discuss it;
- b) The possibility of scheduling an additional meeting in April 2025 would be looked into.

The Committee agreed to note its work programme.



# The Audit Findings (ISA260) Report for Plymouth City Council

Year ended 31 March 2024





Plymouth City Council Ballard House 26 West Hoe Road Plymouth PL1 3 BJ

18 February 2025

Dear Chair of Audit and Governance Committee

Grant Thornton UK LLP 2 Glass Wharf Bristol BS2 0FI

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#### Audit Findings for Plymouth City Council for the 31 March 2024

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

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

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 expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

#### Jackson Murray

Director
For Grant Thornton UK LLP

#### **Chartered Accountants**

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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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### 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Plymouth City Council ('the Council') and the preparation of the Council's financial statements for the uear ended 31 March 2024 for the attention of those charged with governance.

#### **Financial Statements**

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

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

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

Our audit work was completed through a mixture of on-site and remote working during October 2024 to February 2025. Our findings are summarised on pages 7 to 29. We have identified 2 adjustments to the financial statements and management have also made a number of adjustments following the close of the prior year audits. This has resulted in a £19.7m adjustment to the Council's Comprehensive Income and Expenditure Statement. These have no impact on the level of the Council's useable reserves.

Audit adjustments are detailed at Appendix C. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our 2020/21 audit recommendations were reported to members in December 2024. As there has been insufficient time for management to consider and implement any response to these recommendations we have not followed these up as part of this audit. We will consider these as part of our 2024/25 audit.

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

- · confirmation of PFI transaction costs and explanation of changes to the model between years;
- · completion of the accounts consistency checklist on the final draft accounts;
- review of the updated cash flow statement;
- conclusion of the "hot review" of the financial statements by our financial reporting colleagues; and
- satisfactory closure of our final outstanding queries, including any arising from the completion of final quality reviews of our audit documentation.

Following completion of the above and the Audit and Governance Committee meeting, we anticipate being in a position to issue our auditor's report prior to the backstop date of 28 February 2025 and following;

- · receipt and review of the signed management representation letter; and
- receipt and review of the final set of signed financial statements, including quality review to ensure all adjustments have been appropriately processed.

Unfortunately, owing to the challenges of undertaking an audit where the previous audits were disclaimed due to the local authority backstop, this year we have been unable to regain full assurance and it has not been possible for us to undertake sufficient work to support an unmodified audit opinion in advance of the proposed backstop date of 28 February 2025. This is in line with the national expectations of the Financial Reporting Council and National Audit Office. The limitations imposed by not having assurance on opening balances mean that we will be unable to form an opinion on the financial statements. Our anticipated financial statements audit report opinion will be a disclaimed opinion in relation to opening balances.

Due to the proposed disclaimed audit opinion, we have been unable to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdon 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

## 1. Headlines

#### Value for Money (VFM) arrangements

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

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- · Financial sustainability; and
- Governance

Our work on the Council's value for money (VFM) arrangements was reported to the Audit and Governance Committee in November 2024 through our Auditor's Annual Report (AAR) (interim version). In that report we noted that we have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. A further explanation of the significant weaknesses we identified in the Council's arrangements is detailed on page 27 of this report.

#### **Statutory duties**

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code. As the NAO have indicated that no certificates are to be issued until their whole of government accounts work has been completed we are unable to issue the certificate. This will be issued as soon as is possible upon completion of their work.

#### **Significant matters**

Our work in 2023/24 has been impacted by the closing of prior year audits. This has impacted the audit team and management's capacity to deal with queries raised and provide working papers, during this period, and we have continued to work together to ensure progress within the audit. We would like to take this opportunity to record our appreciation for the assistance and collaboration provided by the finance team and other staff during the audit

### 1. Headlines

National context - audit backlog

#### Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament Written statements - Written auestions, answers and statements - UK Parliament This confirmed the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. As a consequence of this, the Council's accounts for 2021/22 and 2022/23 were issued a disclaimer of opinion. The main reasons for the application of the backstop was that the completion of the 2019/20 and 2020/21 audits were delayed due to legal issues related to a pension transaction that were subsequently resolved and a lack of capacity within the audit market that required the government legislation. We were not able to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Council's financial statements for the year ended 31 March 2022 and 31 March 2023, as a whole, were free from material misstatement. As a result of these disclaimer opinions, we do not have sufficient, appropriate audit evidence over the opening balances for the 2023/24 audit year and as such, in accordance with national guidance, intend to issue a disclaimer opinion for 2023/24 in order to allow the Council to publish its accounts by the 28 February 2025 deadline.

Our intention is that over time we will re-build assurance in respect of prior years across all backstopped audits, taking account of guidance from the National Audit Office and the Financial Reporting Council. For 2023/24, we have focused at your audit on the following areas in advance of the backstop date.

- risk assessment and evaluation of the control environment for 2023/24 including ISA 315 assessment;
- audit of closing balances as at 31 March 2024;
- audit of income and expenditure and movements within financial year 2023/24 and associated cut off testing;
- testing of journals within 2023/24;
- testing of Movement of Reserves statements and other primary statements (within the constraints that we will not have opening balance assurance);
- financial statements disclosure; and
- recognising the sensitivity of cash, including the opening cash position as at 1 April 2023.

We will continue the process of recovery during 2024/25 and ongoing years.

#### **New National Audit Office Code**

As part of ongoing reforms to local audit, the National Audit Office has also laid a new Code before Parliament. One of the objectives is the new Code is to ensure more timely reporting of audit work, including Value for Money. The Code requires that from 2025, auditors will issue their Annual Auditor's Report by November each year. We have already put resource plans in place to ensure we achieve this deadline across all audited bodies.

#### National context - level of borrowing

All councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on council budgets, there are concerns as councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Plymouth is not immune to the challenges the current financial environment present, and continues to manage ongoing finances through a number of mechanisms including investment properties. The Council has increased both short-term, by £12.3m, and long-term borrowing, by £86.8m, in the year as a means to ensure the continued delivery of services and has avoided making inappropriate investments outside of the geographical area of Plymouth and the South West. The challenge will remain for the coming years and we will continue to monitor the Council's performance, both in the financial statements and through the assessment of VfM arrangements.

# 2. Financial Statements

#### Overview of the scope of our audit

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

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

#### **Audit approach**

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

- an evaluation of the Council's internal controls environment, including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

#### Conclusion

As highlighted in page 3 of this report, unfortunately it will not be possible for us to undertake sufficient work to conclude our work. We therefore plan to issue a disclaimer of the audit opinion due to being unable to gain sufficient assurance over opening balances.

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

Recognising the backstop date of 28 February 2025, we anticipate issuing a disclaimed audit opinion following the Audit & Governance Committee meeting on 18 Feb 2025, subject to completion of issues identified on page 4.

#### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. During the course of the audit both your finance team and our audit team faced challenges again this year, such as remote accessing financial systems, video calling, and verifying the completeness and accuracy of information provided remotely produced by the entity. The need to close the backstopped audits from prior years has also contributed to the challenges and the disclaimed opinion in 2022/23 has resulted in us having to carry out additional audit procedures to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

Following the closure of the prior year audits in December 2024, audit and finance teams worked in-person in Plymouth to expediate the closure of audit testing and queries which worked well. Given the success, this is something we are already discussing with management to replicate in our future audits.

# 2. Financial Statements



#### Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan.

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

#### Council Amount (£) Qualitative factors considered

Materiality for the financial statements	7,700,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year and monitors spend against this, therefore gross expenditure was deemed as the most appropriate benchmark. This benchmark was used in the prior year. We deemed that 1.3% was an appropriate rate to apply to the expenditure benchmark.
Performance materiality	5,000,000	Our performance materiality has been set as 65% of our overall materiality.
Trivial matters	385,000	Calculated as a percentage of headline materiality and in accordance with auditing standards



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

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

#### **Risks identified in our Audit Plan**

#### Management override 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.

#### Commentary

#### We have:

- evaluated the design effectiveness of management controls over journals;
- used our data analysis software, Inflo, to undertake a number of checks on the data, such as unbalanced transactions, unbalanced user IDs and transactions with blank account descriptions. Where any differences were noted by Inflo, we followed these up with management and obtained sufficient explanations and corroboration for these;
- tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration;
- reviewed manual journals, within Inflo, to identify those deemed to be high risk to be selected for testing. We selected and shared our selection with management for them to provide us with evidence to support the entries. We completed our testing upon receipt of this supporting documentation;
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness, and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions

Our testing of journals identified the following issue:

- There is no formal approval process for posting journals below £500k. Therefore, the finance team members, who have access to post journals, are effectively self approving. This presents a risk that inappropriate journals could be posted and authorised by one individual. We have noted that from January 2024 the Council implemented a control that users who are included within the 'standard journals' user group require approval for any journal posted. However, this covers a specific group and there remain a large number of users who are able to self authorise journals below £500k.
- As in previous years, journals over £500k are required to be authorised in the system but, due to limitations with its features
  related to this area, it is possible to manually override the process. Whilst a manual detective control, through a system
  generated report, is in place for such journals, this does raise the potential for journals to be missed.

No other issues have been identified.

#### **Risks identified in our Audit Plan**

#### Commentary

#### The revenue cycle includes fraudulent transactions

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.

We reported in our audit plan that having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted because:

- 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.

Having completed our audit work, we consider that the rebuttal of the risk remains appropriate.

### Risk of fraud related to expenditure recognition PAF Practice Note 10

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 rebutted this risk in our audit plan. Having completed our work, we consider that the rebuttal of the risk remains appropriate because.

- · expenditure is well controlled, and the Council has a strong control environment; and
- the Council has clear and transparent reporting of its financial plans and financial position.

#### **Risks identified in our Audit Plan**

#### Closing Valuation of Land and Buildings

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 (£619.4m as at 31 March 2024) and the sensitivity of this estimate to changes in key assumptions. Additionally, management need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

#### Commentary

#### We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation experts;
- written to the valuer to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- tested revaluations made during the year to see if they had been input correctly into the asset register;
- considered valuation work undertaken by other councils in relation to jointly owned properties, such as the Torpoint Bridge and Torpoint Ferry and the Energy from Waste plant. Both of these assets have been externally valued in 2023/24, to ensure the councils' share is appropriately disclosed; and
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

The Council has a large number of assets, both by value and volume, and we have identified a number of issues within our testing:

- our reconciliation of Techforge, the fixed asset register (FAR), identified two libraries where management had incorrectly transposed the values. This had a net nil impact but required each asset to be adjusted by £874k.
- testing of depreciation identified that the 2022/23 revaluation entries had been entered on the FAR with a valuation date of 1
  April 2023 meaning accumulated depreciation was not reversed in the previous year. This therefore impacted the 2023/24
  accounts disclosure. This has resulted in an adjusted misstatement of £10.6m to the opening balance and revaluation
  reserve, £501k to depreciation and £269k to disposals. The opening balance adjustment has been completed before the
  close of the 2022-23 accounts and is therefore a disclosure only issue.
- when inputting the valuation of the Broadway public car park into the FAR management incorrectly put the land valuation
  as building and vice versa. The revaluation increase recognised in the revaluation reserve is understated by £901k and the
  revaluation increase recognised in the surplus or deficit on the provision of services is similarly overstated by £901k. This has
  been corrected.
- review of assumptions made about the future and other major sources of estimation uncertainty, note 5, identified that management had disclosed a material valuation uncertainty in relation to PPE. This is not disclosed in the valuer's report and therefore should not be included within the note. This was subsequently removed.

#### **Risks identified in our Audit Plan**

#### Commentary

#### Closing Valuation of Land and Buildings (cont.)

Issues identified (cont.)

- as part of our testing of individual asset values we have considered the estimates and assumptions used by the valuer in their calculations. Testing identified errors in calculations which resulted in a factual misstatement of £4,056k (of which £3,917k has been adjusted by management with the remaining £139k being trivial) and estimation differences of £2,991k (which are unadjusted) for those assets that were sampled. Extrapolating the estimation differences over the full population of revalued assets gives a total potential estimation uncertainty of £3,835k which is immaterial. The issues identified were as follows:
  - incorrect floor areas used in calculations;
  - floor area documentation not being retained. We used alternative audit procedures to assess the overall reasonableness of the areas used;
  - incorrect BCIS build rates being used to calculate the cost per square metre;
  - · inconsistent application of external build costs;
  - · incorrect application of professional fees;
  - use of school pupil numbers data from Q1 2023 instead of Q1 2024;
  - double counting of some calculation adjustments; and
  - no consideration of retirement obligations.

We have noted a number of other issues in relation to the property, plant and equipment assets and have identified further non-valuation errors around PPE on page 18. The errors identified are not material in isolation but there is a risk that on cumulative basis there could be a material impact on the financial statements. We have raised a recommendation in appendix B.

As outlined previously, we have backstopped the 2021/22 and 2022/23 audit and therefore will issue a disclaimer of opinion. We cannot place any assurance in the opening balances brought forward or those assets not valued in the year. We will continue to review asset revaluations over the coming years in order to regain assurance over the balances in the financial statements.

# 2. Financial Statements: Significant risks

#### **Risks identified in our Audit Plan**

#### Valuation of Investment Property

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 (£223m at 31/03/2024) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of an internal valuer to estimate the fair value as at 31 March 2024.

We therefore identified valuation of investment property as a significant risk of material misstatement.

#### Commentary

#### We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation experts;
- written to the valuers to confirm the basis on which the valuations were carried out;
- reviewed the fixed asset register and valuation reports to identify a sample of investment properties which have been
  revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2024 are above
  performance materiality, those assets where there has been a valuation movement or other change outside of our
  expectation and a sample of assets where the movement is in line with expectation; and
- for each item within our sample we have requested detailed calculation sheets for the 2024 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations.

Testing identified the following issues:

- various errors were identified within the calculation sheets of our selected assets, including incorrect income and incorrect lease break dates used in calculations which have resulted in an extrapolated error of £402k. This is is the net of a £998k overstatement and a £596k understatement; and
- testing identified that there is an inconsistent application of stamp duty, agent fees and legal fees for investment property assets. Management had not applied these adjustments in all cases and had they done so the asset value would have increased by £1,160k. It is management's judgement as to whether these costs should be included and once it has been agreed what approach should be taken to ensure this is applied consistently.

The total extrapolated variance identified, as a result of the above issues, was a £758k overstatement which is not material.

As outlined previously, we have backstopped the 2021/22 and 2022/23 audit and therefore will issue a disclaimer of opinion. We cannot place any assurance in the opening balances brought forward or movements in the year. We will continue to review asset revaluations over the coming years in order to regain assurance over the balances in the financial statements.

## 2. Financial Statements: Significant risks

#### **Risks identified in our Audit Plan**

#### Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£64.3m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

#### Commentary

#### We have:

- updated 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 evaluated the design of the associated controls. No issues were identified from completion of this;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; Page and
- obtained assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Ö Within the year it was identified that nationally, IFRIC 14 calculations in relation to asset ceilings had not been appropriately considered by actuaries through a combination of error and them not being requested to by councils and pension funds. In 2023/24 we noted that management has disclosed the impact of the asset ceiling which we have considered as part of our IFRIC 14 review. We discussed the issue with management who requested an updated calculation through their actuary for prior years, as the prior year audits were still open. This was received and we have reviewed it and consider that there is no further impact on the Council's liability position in prior years. We also consider the 2023/24 adjustment to be materially appropriate.

We rely on assurances provided by the pension fund auditor over asset and liability balances included in the actuarial report and have reviewed their response for 2023/24. This identified two issues in level 2 and level 3 investments at the pension fund level.

Level 2 investments have been overstated by £5.1m and level 3 investments have been understated by £21m in the pension fund's accounts. The Council's share of these assets is 16.53% and therefore the impact on the Council's financial statements are an overstatement of level 2 investments of £843,030 and an understatement of level 3 investments of £3,471,300. The net position is an understatement £2,628,270 which is not material and is considered to be an unadjusted misstatement.

As outlined previously, we have backstopped the 2021/22 and 2022/23 audit and therefore will issue a disclaimer of opinion. We cannot place any assurance in the opening balances brought forward or movements from this in the year. We will continue to review pension revaluations over the coming years in order to regain assurance over the balances in the financial statements.

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# 2. Financial Statements: key judgements and estimates

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

### Significant judgement or estimate

#### Summary of management's approach

#### **Audit Comments**

#### Assessment

**Amber** 

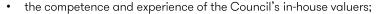
Land and Building valuations – £619.4m Other land and buildings comprises of specialised assets such as schools and libraries which are required to be valued at depreciated replacement cost (DRC), reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The reminder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. Surplus assets are valued at the highest and best value.

The Council values its assets on a five-year rolling programme and £456m of assets were revalued in 2023/24.

The Council engages an internal valuer to undertake the annual valuation. For jointly owned assets, SW Norse, an external expert, has been instructed by those councils responsible for management of the assets, to complete the 2023/24 valuation of these investment properties.

The total year end valuation of land and buildings was £619.4m, a net increase of £5m from the prior year (£614.4m

We have assessed:





- the completeness and accuracy of the underlying information used to determine the estimate;
- · the adequacy of the disclosure of the estimate in the financial statements; and
- the consistency of the estimate against market data.

We have evaluated the assumptions made by management for those assets not revalued at the year end and how management has satisfied themselves that these are not materially different to current value at year end.

We have identified a number of issues from our testing of Land and Buildings including:

- variances between the valuer's report and the Council's records;
- failure to provide formal documentation to valuers;
- variances between areas used for valuations and area per floor plans;
- limited or no support for assumptions used to provide valuations; and
- · errors in calculations.

Our misstatements are split between those that are factual and need adjusting which are approximately £4m and those that are estimation variance. Where we have identified estimation uncertainties we have undertaken extrapolations in order to provide assurance that balances are not materially misstated. The extrapolated value of the estimation misstatements are £4.9m and therefore we are satisfied that PPE balances are not materially misstated, following adjustment for the factual variances referenced above.

We have used our auditor's expert to obtain further assurance of the methodology used by the valuer. This did not identify any issues that would directly impact disclosed values but did identify some issues in regards to process, including use of comparables, general reference to guidance, record keeping, market commentary and reliance on estates for information. We will include a recommendation in appendix B.

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

# 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £223.7m	The Council revalue its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date  The Council's commercial investment portfolio consists of a mixture of assets comprising both industrial and commercial usage.  The Council engages an internal valuer to undertake the annual valuation.  The total year end valuation of investment properties was £223.7m, a net decrease of £14.7m from 2022/23 (£238.4m).	<ul> <li>We have reviewed the detail of your assessment of the estimate considering:</li> <li>our assessment of the Council's internal valuers</li> <li>the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>the reasonableness of the overall decrease in the estimate of £14.7m. Work undertaken has identified that this is due to market conditions and no specific factor impacting either a specific class or individual asset. We also consider the change in valuer has impacted the valuations but no issues have been identified within their methodology; and</li> <li>the adequacy of the disclosure of the estimate in the financial statements.</li> <li>Testing of the valuer's assumptions requires that sufficient evidence be provided to support any underlying assumptions or indices used to calculate a revaluation. Testing identified a number of issues including:</li> <li>errors within the valuers calculation sheet; and</li> <li>inconsistent application of additional asset costs, including stamp duty.</li> <li>We have used our auditors expert to obtain further assurance of the methodology used by the valuer. This has identified a number of findings outlined on the previous page.</li> </ul>	Grey

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

# 2. Financial Statements: new issues and risks

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

#### Issue

### Property, Plant and Equipment (PPE)

We have identified the valuation of land and buildings as a significant risk and have undertaken appropriate audit work to provide assurance over these balances which is reported on pages 12 & 13.

During the course of our work on PPE we identified a number of other issues, outside of the significant risk, that we wish to bring to the attention of management and TCWG.

#### Commentary

The Council has a large number of assets, both value and volume, and we have identified a number of issues within our testing.

- testing of Revenue Expenditure Funding Capital Under Statute (REFCUS) identified that where expenditure in year exceeded the value of additions it has been charged against other assets. This has been caused by misstatements in prior years.
- testing of REFCUS also identified that adjustments have been made to additions to account for prior year
  expenditure which was capitalised as assets under construction (AUC) in the year it was incurred and has
  subsequently been classified as REFCUS. This, along with the issue identified above, has resulted in
  additions being understated by £2.4m and REFCUS being overstated by the same amount.

Testing of depreciation identified the following:

- infrastructure asset brought forward accumulated depreciation on disposals has been incorrectly charged to depreciation and not disposals.
- the FAR calculates depreciation by dividing brought forward net book value by remaining useful economic life. Recalculation identified an overstatement of £3,264k which is due to errors in the application of depreciation in prior year backstopped audits. The charge in 2023/24 is correct, based on brought forward values and as we have disclaimed prior year audits we are satisfied that no further adjustments are required.
- one infrastructure asset had been incorrectly classified as land rather than a depreciable asset. This has resulted in accumulated depreciation not being charged and an understatement of £18k. This is trivial but is considered a control issue and a related recommendation is raised in appendix B.

We further noted:

 upon review of Academy School disposals we identified that £3,059k had been incorrectly classified as Other Operating Expenditure and should be Financing & Investment Income & Expenditure in the CIES.

Testing of heritage assets identified the following:

• following the closure of the 2019/20 and 2020/21 audits a number of adjustments were made to heritage assets. This included the addition of an items over £100k column and a special books collection disclosure of £3.5m. The disclosures were made in the 2020/21 financial statements but, given the timing of the issue, was not updated in the FAR until 2023/24. The adjustments have been made in both the 2021/22 and 2022/23 draft statements. These were originally disclosed in the 2023/24 draft statements as revaluations and have subsequently been corrected.

#### **Auditor view**

Whilst none of the issues identified are material in isolation there is a risk that these could, on a cumulative basis, have a material impact on the financial statements. Further, the quantum of issues identified indicate that the control environment around PPE is not sufficiently robust to detect and correct errors within the financial disclosures. Management should review the processes currently operated at the Council to ensure that these are fit for purpose and allow errors to be identified and corrected.

Green

# 2. Financial Statements: key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments Assessment

Net pension liability – £64.4m The Council's net pension liability as 31 March 2024 is £64.4m (PY £27.5m) comprising the Local Government and unfunded defined benefit pension scheme obligations.

The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes.

A full actuarial valuation is required every three years and the latest full actuarial valuation was completed in 2022. A roll forward approach is used in the intervening periods, which utilises key assumptions such as a life expectancy, discount rates, salary growth and investment returns.

Given the significant value of the net pensions fund liability small changes in assumptions can result in significant valuation movements.

There has been an increase of £36.9m in the net actuarial deficit during 2023/24.

We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. No issues were identified from our review of the controls in place.

We also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.90%	4.80%- 4.95%	•
Pension increase rate	3.25%	3.10% - 3.45%	•
Salary growth	3.90%	CPI (2.90%) + 1	
Life expectancy – Males currently aged 45/65	22.8 / 21.5	20.6 - 23.1 / 19.2 - 21.8	•
Life expectancy – Females currently aged 45/65	24.1 / 22.7	24.1 - 25.7 / 22.6 - 24.3	•

We have confirmed the consistency of the pension fund assets, liabilities and disclosures in the notes to the financial statements with the actuarial reports.

We have gained assurance over the reasonableness of the Council's share of the LGPS pension assets.

We have received and reviewed the IAS19 assurance from the pension fund auditor over member numbers and did not identify any further issues other than those reported on page 14.

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

# 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £19.182m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum revenue Provision (MRP). The basis for the charge is set out in regulations and	Although the work is ongoing and we are awaiting updated financial statements, from the work completed to date, we consider the approach taken by management to be appropriate and in line with guidance.	TBC
	statutory guidance	Following consultation MHCLG have clarified and updated the	
	The year end MRP charge was £19,182k, a net decrease of £3,494k from 2022/23.	regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025 , the	
	In 2020/21 the council entered into a £72m pension prepayment transaction for which they borrowed in order to fund, and charged this against MRP. During	consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following.	
	prior year audits it was agreed that this was not a capital transaction and should be recognised as revenue which has required the Council to reverse the charge. In 2023/24 this reversal is £3,494k.	This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.	

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- {Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# 2. Financial Statements: Information Technology

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

			IT	GC control area rat	ting			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings	
Civica Financials	ITGC assessment (design and implementation effectiveness only)	•	•			Management override of controls	Generic accounts are not monitored but do not have privileged access. We have undertaken specific user testing within journals and not identified any issues. We have identified a control recommendation.	_
Capita One (Academy)	ITGC assessment (design and implementation effectiveness only)	•				N/A	Seven user accounts have been granted 'Admin' roles. We have asked management for a report to show no inappropriate changes have been made. This has yet to be provided	_
Core HR	ITGC assessment (design and implementation effectiveness only)	•	•	•	•	N/A	N/A	_
Activity Directory	ITGC assessment (design and implementation effectiveness only)	•	•	•	•	Management override of controls	Generic accounts are not monitored but do not have privileged access. We have undertaken specific user testing within journals and not identified any issues. We have identified a control recommendation.	_

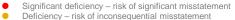
- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant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

## 2. Financial Statements - Internal Control

The recommendations arising from our IT audit work in 2023/24 are set out below.

Assessment	Issue and risk	Recommendations
	Lack of segregation of duties between developers and implementers in Capita One	Management should segregate a user's ability to develop and implement changes. Privileged access to the production environment should be revoked from users that are involved in development.
Amber	Our IT Audit identified that, seven (7) user accounts had been	Where management is unable to fully segregate access for operational reasons, a risk assessment should be undertaken, documented and formally accepted.
	granted the role 'Admin' access which enables them to both develop and implement changes in production. It is pertinent to note that these seven (7) accounts were used by five (5) users as one of the users had access to three (3) accounts.	Alternative options to mitigate the risk could include performing a review of change implementation activity logs. These should be regularly reviewed for appropriateness by an independent individual with evidence retained.
	one of the users had access to three (b) accounts.	Management response
	Risks	Upon investigation, the various modules of Capita require different admin logins hence why one
	The combination of access to develop and implement changes	members of staff has more than one
	in the production environment creates a risk that inappropriate or unauthorised changes are made to data and/ or programs.	Management have raised this with the manufacturer, but in the meantime are happy to accept this risk
	There are a number of variances between the valuer's report, the fixed asset register and the financial statements	Management should ensure that sources of documentation used to inform the financial statements have been fully reconciled and any variances considered
Amber	disclosures. None of the variances are material either collectively or individually.	Management response
		Work is already underway within the land and property team to collect and collate comprehensive inspection and measurement information for assets which will be retained on a standard formate template and saved within individual asset files. This is being initially rolled out for PPE assets falling due for revaluation in the YE2025 programme, however due to the large quantity of assets – it may be the further technical resource is required to undertake this work more rapidly.
	The Council apply depreciation on a straight line basis over the remaining life of the asset on the brought forward year end	Management should ensure that depreciation is charged appropriately in year and that a robust review of charges is undertaken as part of the year end financial statements process.
Amber	balance. To confirm that this was accurate we calculated depreciation on the gross book value over the life of the asset.	Management response
	This identified a £3.4m variance which was discussed with management. This identified that errors in prior years had impacted the brought forward value and led to a higher depreciation charge in year although depreciation will be charged appropriately over the life of the assets	We will introduce more control checks prior to posting year end journals. We will also have more control over making changes in Technology Forge as we will only be managing one financial year on the system rather than five. Up until this financial year we have had to manage with a manual reconciliation between the fixed asset register and the accounts as we had to close previous years due to the system of

limitations.



### 2. Financial Statements - Internal Control

#### Controls for which assurance could not be provided

Our IT audit has identified the following issue as part of their review. We do not require management response and have reported this to bring it to management's attention

#### **Assessment**

#### Issue and risk

#### Reason/Justification



**Amber** 

There are Generic accounts set up with the application. These generic accounts can be used by multiple users. We were unable to provide assurance due to lack of evidence provided.

Administrative privileges (including generic super user access rights) to the network, applications and their associated databases are restricted to those users requiring this level of access (in line with their roles and responsibilities). Privileged duties do not conflict with other roles.

We were unable to test the generic database accounts control as the council was unable to provide sufficient supporting evidence.

We noted that there were no controls in place to actively monitor the usage of generic database accounts within Civica Financials.

#### Assessment

Significant deficiency – risk of significant misstatement
 Deficiency – risk of inconsequential misstatement

# 2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee, and we have not been made aware of any incidents in the period. No other issues have been identified during the course of our audit.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Committee papers.

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# 2. Financial Statements: other communication requirements



Issue	Commentary	
Confirmation requests from third parties	We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. We have received all the responses. We requested from management permission to send confirmation requests to the Pension Fund Auditor. This permission was granted and the requests were sent. This confirmation has also been provided.	
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements	
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during the audit.	

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# 2. Financial Statements: other communication requirements



#### Our responsibility

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

#### Issue

#### Commentary

#### Going concern

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

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

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

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

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

However, as we have been unable to conclude our audit in advance of the backstop date, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified; and
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

# 2. Financial Statements: other responsibilities under the Code

#### Issue Commentary Other information We are required to give an opinion on whether the other information published together with the audited financial statements, including the Annual Governance Statement and Narrative report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Due to the proposed disclaimed audit opinion, we have been unable to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdon 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls. Matters on which We are required to report on a number of matters by exception in a number of areas: we report by if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE exception quidance or is misleading or inconsistent with the information of which we are aware from our audit; if we have applied any of our statutory powers or duties; and/or where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. With the exception of the VFM significant weaknesses reported on page 30, we have nothing to report on these Specified We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that detailed work is not required as the procedures for Whole of Council does not exceed the threshold, however the NAO have requested that nationally all audit certificates for 2023/24 are held until their work has been completed. Government Accounts Certification of the We intend to delay the certification of the closure of the 2023/24 audit of Plymouth City Council in the audit report, due to the NAO requirement to delay issue until WGA work has been completed as noted above. closure of the audit



## 3. Value for Money arrangements (VFM)

### Approach to Value for Money work for 2023/24

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

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





### Improving economy, efficiency and effectiveness

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



#### Financial Sustainability

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



#### Governance

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

#### Potential types of recommendations

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



#### Statutory recommendation

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



#### Key recommendation

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



#### Improvement recommendation

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

## 3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary was reported in the separate Auditor's Annual Report (AAR) (interim version) presented to the Audit & Governance Committee in November 2024. The report presented in November 2024 was an interim version as it cannot be issued as final until the opinion on the financial statements is issued. Given the report covers arrangements to 31 March 2024, we do not expect any changes to be made to this report and that it will be issued as final alongside our audit opinion in February 2025.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weaknesses we identified are detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's report will make reference to these significant weaknesses in arrangements, as required by the Code.

VFM theme	Procedures undertaken	Conclusion	Recommendation
Financial sustainability - Ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	We have considered management's response to our 2022/23 key recommendation	As we reported in our 2022/23 Auditor's Annual Report, 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.	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.
Financial sustainability - Plans to bridge its funding gaps and identifies achievable savings	We have reviewed management's arrangements to address budget and funding gaps to ensure that these have been fully considered and are appropriate and attainable, following up the issues reported in 2022/23	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 at November 2024 the Council was forecasting a net revenue overspend for 2024/25 of £6.697 million, assuming all identified mitigations delivered the benefits that they were envisaged to. As at February 2025 the latest published position is a £1.842m overspend.	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:  • 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.
Improving economy, effectiveness and efficiency - Evaluates the services it provides to assess performance and identify areas for improvement	We have considered management's response to issues previously identified an the ongoing management of the Secretary of State intervention, following up the issues reported in 2022/23	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 our 2022/23 Auditor's Annual Report. 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.	<ul> <li>ensure appropriate arrangements are in place with partners to address the actions raised in the Joint Area SEND inspection and resultant Improvement Notice; and</li> <li>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.</li> </ul>

## 4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers). In this context, we disclose the following to you:

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

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

Details of fees charged are detailed in Appendix E.

#### **Transparency**

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

## 4. Independence considerations

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

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

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

## 4. Independence considerations

#### **Audit and non-audit services**

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to February 2025 as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Subsidy Return	48,400 (2022/23) 48,400 (2023/24)	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 £48,400 in each year in comparison to the total fee for the audit of £392,808 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)  Management threat	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers Pension Return	20,000 (2022/23) 20,000 (2023/24)	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 £20,000 in each year in comparison to the total fee for the audit of £392,808 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)  Management threat	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit & Governance Committee. None of the services provided are subject to contingent fees.

## **Appendices**

- A. Communication of audit matters to those charged with governance
- B. <u>Action plan Audit of Financial Statements</u>
- C. <u>Audit Adjustments</u>
- D. Fees and non-audit services

# A. Communication of audit matters to those charged with governance

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

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

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

#### Respective responsibilities

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

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

#### **Distribution of this Audit Findings report**

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

We have identified 11 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations	
Medium	Journals testing has identified a number of segregation issues including:	Management should review the journal process to ensure that sufficient segregation of duty	
	There is in-built system deficiency as the ledger is not able to segregate the posting and authorising function for journals over the council's	controls are in place and that monitoring processes are sufficiently robust to identify and address any issues identified.	
	authorisation limit of £500k. Specific testing in relation to this has been	Management response	
	undertaken and no issues identified, and the Council use a manual detective control however this can lead to error; and	The Council has a robust set of reconciliation and monitoring processes in year to support the posting of journals. All journals above £500k are required to be authorised and if they	
	<ul> <li>the ability for posters to authorise their own journals.</li> </ul>	are self approved management have implemented a system generated alerter to notify	
	There is a risk that inappropriate journals will be posted leading to fraudulent transactions or misreporting within the financial statements.	staff when they have self approved the journal or failed to attach sufficient notes and documents to the journal	
Medium	For a number of land and building and investment property assets management were unable to provide floor plans to support the	Management should ensure that all supporting information is maintained and is consistent with disclosures made in the statement of accounts	
	measurements used within the calculations. There is a risk that management	Management response	
and valuers will use inaccurate information which could result in a material misstatement within the statement of accounts	Work is already underway within the land and property team to collect and collate comprehensive inspection and measurement information for assets which will be retained on a standard format template and saved within individual asset files. This is being initially rolled out for PPE assets falling due for revaluation in the YE2025 programme, however due to the large quantity of assets – it may be that further technical resource is required to undertake this work more rapidly.		
Medium	Our work identified adjustments to REFCUS whereby management have corrected prior period errors in the current period, relating to REFCUS spend incorrectly classified as PPE additions in prior years. This has resulted in an	For larger capital projects management should perform a close review in order to identify whether any work will be performed on land or assets the council do not own and account for it as REFCUS in that year accordingly.	
	unadjusted misstatement reported on the 'Misstatements' tab. This issue was also raised in prior year audits.	Where management perform large adjustments for items, they should maintain clear working papers, and an audit trail which can be easily accessed, so that they can clearly explain the context, double entry, and evidence the totals involved and the methodology used in arriving at the adjustments	
		Management response	
		Accountants will ensure they engage with Project Officers, delivering these projects at an early opportunity. We will also incorporate this into the Training provided to Projects Officers at year end.	

#### **Controls**

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

Assessment	Issue and risk	Recommendations			
Medium	We have identified a number of issues with depreciation including:	Management should ensure that all depreciation calculations and processes are			
	<ul> <li>brought forward accumulated depreciation on disposals for infrastructure assets incorrectly charged to depreciation and not disposal;</li> </ul>	accurate and that all treatment and disclosures are in line with the requirements of the Code and the accounting standards.			
	Depreciation is calculated on the closing net book value brought forward. We	Management response			
	identified errors in previous years meant the brought forward figure was incorrect which has led to an overcharge of £3,264k in 2023-24 although the closing position is correct.	We will introduce more control checks prior to posting year end journals. We will also have more control over making changes in Technology Forge as we will only be managing one financial year on the system rather than five. Up until this			
	<ul> <li>one infrastructure asset that had been incorrectly classified as land rather than a depreciable asset. This resulted in accumulated depreciation not being charged and an understatement of £18k; and</li> </ul>	financial year we have had to manage with a manual reconciliation between the fixed asset register and the accounts as we had to close previous years due to the system limitations.			
	<ul> <li>2022/23 revaluations having been entered on the FAR with a valuation date of 01-04-2023 meaning accumulated depreciation was not reversed and therefore impacted the 2023/24 accounts disclosure. This has resulted in an adjusted misstatement of £10.6m to the revaluation reserve, £501k to depreciation and £269k to disposals.</li> </ul>				
Medium	Testing of assumptions used for land and building valuations identified the following:	Management should review the process for valuing assets and ensure that all			
	incorrect BCIS rates applied;	documentation is retained to fully support the valuations disclosed in the financial statements.			
	<ul> <li>inconsistent application of external build costs;</li> </ul>	Management response			
	incorrect application of professional fees;	In order to address concerns with adhoc errors occurring on Valuation Reports, it is			
	<ul> <li>use of school pupil number data from Q1 2023 instead of Q1 2024; and</li> </ul>	proposed for YE2025 going forward that a more robust system of internal auditing			
	double counting of adjustments.	is required to screen for errors. This unfortunately was not possible for YE2024 due to the late issue of full instructions to the Valuer, leading to a significantly reduced			
	None of these errors are material in isolation but there is a risk that the cumulative effect will have a material impact on the financial statements.	timeframe for issuing valuations.			
		The existing Valuation templates and instructions will be reviewed to ensure that there is a consistent approach to adjustments and that all valuation inputs are adequately evidenced.			

#### **Controls**

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

Assessment	Issue and risk	Recommendations				
Medium	Testing of the valuation of assets also identified the following issues:	Management should review the process for valuing assets and the necessary accounting				
	management incorrectly classified land and buildings for one asset leading to incorrect treatment of valuation movements; and	disclosures to ensure that robust review is in place to ensure the accuracy and appropriateness of all disclosures.				
	the disposal of an Academy school had been incorrectly classified within	Management response				
	the CIES.	We have corrected the treatment of the disposal of Academy schools				
	None of these issues are individually material but there is a risk that cumulatively there could be a material misstatement in the financial statements					
Medium	The CIPFA Code and accounting standards require retirement obligations to be considered as part of the valuation process and reported, even where	Management should ensure that valuations are carried out in line with the required guidance and standards to ensure that valuations are accurately recorded.				
	there is a nil impact. Management have not included this within their considerations.	Management response				
	considerations.	The valuer will ensure that the report makes reference to retirement obligations, even if it is to confirm a nil impact.				
Low	Through general testing of transactions we have identified a number of errors including incorrect classification, improper recognition of accruals and adjustments from prior years. We recognise that there have been	Management should ensure that a robust review process exists to ensure that the financial statements are accurate and appropriate and that the number of errors and misstatements is kept to a minimum.				
	challenges presented from prior year audits and there is a risk that errors impair the ability of the reader of the accounts to assess the Council's	Management response				
	performance within the year.	We will ensure through our year end training that staff are aware of the impact of errors and that they build in control checks to avoid this happening.				

#### **Controls**

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

Assessment	Issue and risk	Recommendations					
Low	The council have made the decision not to revalue 0.4%	Management should ensure all assets are revalued within the five-year cycle.					
	of their assets within 5 years. This is against the CIPFA Code (paragraph 4.1.2.38) which specifies that assets	Management response  This was a one-year decision as we transitioned back from a 3-year rolling programme to a 5-year rolling programme. Due to resource constraints, we decided that the decision not to revalue 0.4% of our assets was a fair compromise. Under the current rolling programme all assets are revalued within a 5-year period.					
	should not be revalued at intervals greater than 5 years. Whilst the value of those assets not revalued is not material it is a requirement of the Code that all assets be revalued within this timeframe.						
Low	We have engaged an auditor expert to assess management's processes for valuations which has	Management should ensure that instructions and the valuers report include sufficient information to allow proper understanding of the process undertaken.					
	identified the following:	Management response					
	<ul> <li>the valuer should tabulate and retain all comparable data used;</li> </ul>	The comparable data is currently retained within folder organised by sector type. This includes data from internal sources and from third parties. Existing tables of data will be undated as further information becomes					
	<ul> <li>instructions to the valuer should reference all relevant guidance;</li> </ul>	available, and resource will be deployed to ensure that this is kept up to date. Due to the specific nature of some assets, there is a shortage of available data within the locality. It is proposed that the Valuation template					
	the Council should keep a clear record of their inspection programme;	is amended to include a more robust explanation for adjustments that have necessarily needed to be made.					
	a table of all categorisation changes should be included within the report;	A market commentary is included in all Valuation Reports, and where possible external comparable information is sourced. Due to the size of the market in Plymouth and nature of some of the assets, it is not always possible to secure this information.					
	<ul> <li>information should be sourced, where possible, from third parties and the market and not solely from the Estates and Asset managers; and</li> </ul>	In order to address concerns with adhoc errors occurring on Valuation Reports, it is proposed for YE2025 going forward that a more robust system of internal auditing is required to screen for errors. This unfortunately was					
	a market commentary should be included within the report.	not possible for YE2024 due to the late issue of full instructions to the Valuer, leading to a significantly reduced timeframe for issuing valuations.					
		As stated in the comments above, work is already underway to collate more comprehensive and robust records of measurement, inspection and condition for each asset.					
Low	Related party disclosure - Note 30	Management should ensure all related party disclosures are included within the financial statement					
	In our group assessment work, we have ensured that	disclosures.					
	balances with Plymouth City Council considered in management's assessment agree to related party	Management response					
	disclosure as per note 30. We noted that management has considered a loan of £1.956m being given to Plymouth Science Park which was not disclosed in related party disclosure note 30.	We will widen the remit of checks undertaken at year end and when gathering data for this disclosure.					

## C. Audit Adjustments

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

#### Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
Changes identified by management from issues considered in prior year audits and adjusted following the conclusion of the prior year audits.	20,655	139	(20,655)	(139)
Depreciation charge in 2023-24 has been updated as a result of adjustments to 2022-23 revaluation of non current assets leading to misstated net book value opening balances.	502		(502)	
Testing of disposals of Academy Schools have been	Other operating expenditure (3,059)		3,059	0
incorrectly presented in the CIES	Taxation and non-specific grant income 3,059		(3,059)	
Testing of fees and charges identified that REFCUS	Cost of service 13,914		(13,914)	0
revenue had been charged to cost of services rather than surplus or deficit on provision of services, through taxation and non-specific grant income as per the Code.	Taxation and non-specific grant income (13,914)		13,914	
Factual errors identified in the calculation of PPE	Surplus/Deficit on Provision of	PPE 3,917	(340)	(3,917)
revaluations within the year	Services 340	Revaluation reserve (4,257)		4,257
Incorrect classification of transactions between		Collection Fund Short term		(2,717)
short-term creditors and short-term debtors		debtors 2,717		2,717
		Collection Fund Short term creditors (2,717)		
Overall impact	£17,240	£201	£(17,240)	£(201)

## C. Audit Adjustments

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

#### Misclassification and disclosure changes

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

Disclosure/issue/Omission	<b>Auditor recommendations</b>	Adjusted?
Related party disclosure - Note 30 Plymouth City Council have provided a loan of £1.956m to Plymouth Science Park. This has not been included within the related parties note as required by the Code.	Management should ensure all relevant amounts are included within related party disclosures	✓
The Capitalisation direction disclosure within the narrative report does not reflect that prior year audits have been completed. This requires adjustment following the conclusio of prior year audits.	The narrative report should reflect the current position as closely as possible allowing for timing considerations	✓
Critical Judgements disclosure – Note 3 – Following review of disclosures included within critical judgements it has been confirmed that the following balances should not be included - Financial Assets, Asset Classification, Highways Infrastructure Assets and Government Grants.	Critical judgements should include only those disclosures that have a material impact on the financial statements	✓
Assumptions made about the future and other major sources of estimation uncertainty – Note 5 – Review identified that the disclosure contains references to material uncertainties and a separate material uncertainties consideration. There have been no such uncertainties identified in the year and therefore this disclosure should not be included.	Major sources of estimation uncertainty should only be those disclosures that have a material impact on the financial statements	<b>√</b>
Expenditure & Funding Analysis – Note 7 The Council have not completed the Expenditure & Funding Analysis in line with the Cod and therefore have updated the disclosure.	Management should ensure that all disclosures within the statement of accounts comply with the requirements of the Code	✓
Revaluations – Note 15.3 Revaluations in the year include Torpoint Bridge and Ferry which have not been included within the revaluations note. As this is an asset of the Council it is considered this should be included and management have agreed to add a separate disclosure		✓

## C. Audit Adjustments

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

#### Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Bought forward Accumulated Depreciation of Infrastructure Disposals has been incorrectly charged to Depreciation in Note 15.1 and not disposals as per the Code. This required a correction of £935k.	Management should review all disclosures and information used to inform these to ensure that all values are accurate and reflective of the transactions in year.	✓
Libraries - When inputting the valuations of two libraries into Techforge, the capital accountant made a transposition error and incorrectly assigned the valuation of Crownhill Library to Plympton Library and vice versa. This has a net nil impact on the CIES, Balance Sheet and Revaluation Reserves, and a gross impact of £874k on the individual assets.	Transactions entered into systems that are used to inform accounting disclosures should be reviewed to ensure accuracy and appropriateness	✓
Heritage Assets - The following adjustments were made to the draft accounts following the conclusion of the 19/20 and 20/21 audits. Items Over £100k column added and comparator figures (£17,301k) added. Reclassifications row added which nets to nil and moves assets out of 'Items over £100k' and into relevant categories. Special Books comparator figures updated to £3,500 from nil. This collection was added in 20/21 but was put through the 23/24 FAR and therefore was in the draft accounts as revaluations.	The financial statements should be subject to a more robust review to ensure that all relevant disclosures have been included	<b>√</b>
Testing of depreciation identified that the 2022/23 revaluation entries had been entered on the FAR with a valuation date of 1 April 2023 meaning accumulated depreciation was not reversed in the previous year. This therefore impacted the 2023/24 accounts disclosure. This has resulted in an adjusted misstatement of £10.6m to the opening balance and revaluation reserve and a further £369k to disposals. The opening balance adjustment has been completed before the close of the 2022-23 accounts and is therefore a disclosure only issue.	Management should ensure that valuation dates are appropriately and accurately entered to ensure that adjustments are kept to a minimum after draft accounts have been published	✓
A small number of amendments were made to the accounts to enhance clarity for the reader.	Our review and audit of the draft accounts identified a small number of presentational changes to enhance the clarity of the accounts for the reader.	✓
	We have shared the areas for presentational amendments and these will be reflected in the revised accounts.	

## C. Audit Adjustments (continued)

#### Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit & Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Investment properties – We have identified a number of errors within our testing of Investment Properties and the adjustment is the net position of those issues identified	(402)	402	(402)	402	Not material
Management have been inconsistent with the inclusion of additional costs for the valuation of Investment properties. The adjustment represents the variance from applying the same methodology to all assets	1,160	(1,160)	1,160	(1160)	Not material
PPE - Management had used REFCUS to cover costs of capital transactions. This should have been charged in 2022/23 and has been charged in 2023/24.	(2,403)		(2,403)		Not material
Net pension liability – Testing undertaken by the pension fund auditor identified errors in the valuation of investments. The adjustment is Plymouth's share of the assets which is 16.53%	(2,637)	2,637	(2,637)	2,637	Not material
Testing of transactions to confirm completeness of disclosure balances identified non accrued errors. These have been extrapolated.	Expenditure 2,011	Creditors (2,011)	2,011	(2,011)	Not material
Overall impact	£(2,271)	£(132)	£(2,271)	£(132)	

#### Impact of prior year unadjusted misstatements

We have backstopped the 2022/23 Statement of accounts and therefore there are no prior year unadjusted misstatements to bring forward.

### D. Fees and non-audit services

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

Audit fees	Proposed fee	Final fee
Scale fee	375,258	375,258
Use of experts	5,000	*5,000
Other additional – ISA 315	12,550	15,690
Total audit fees (excluding VAT)	£392,808	£395,948

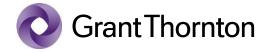
<sup>\*</sup>subject to receipt of final invoice from supplier

### D. Fees and non-audit services

Proposed fee	Final fee			
48,440	48,440			
48,440	48,440			
22,000	22,000			
25,000	25,000			
£143,880	£143,880			
(Audit Fee) £395,948 (Non Audit Fee) £143,880				
	48,440 48,440 22,000 25,000 £143,880			

The fees reconcile to the financial statements.

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



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#### **Audit and Governance Committee**



Date of meeting: 18 February 2025

Title of Report: Approval of Statement of Accounts 2023/24

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

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

Author: Carolyn Haynes

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

Your Reference: SoA 23/24/Audit Feb 2025

Key Decision: No

Confidentiality: Part I - Official

#### **Purpose of Report**

Audit and Governance Committee formally approved the draft Statement of Accounts for 2023/24 on the 23 July 2024.

The Statement of Accounts for 2023/24 are reaching the completion of their external audit and need to be published on or before the 28 February 2025 which is the statutory 'backstop' deadline.

The revised Statement of Accounts for 2023/24 is attached as Appendix A.

#### **Recommendations and Reasons**

- I. To approve the Statement of Accounts for 2023/24 attached as Appendix A.
  - a. Reason: Statutory Requirement, the Accounts and Audit Regulations 2015 require the accounts to be:
    - i. Considered by committee;
    - ii. Approved by committee resolution;
    - iii. Signed and dated by the person presiding at the committee.
- 2. To delegate authority to the Section 151 Officer in consultation with the Chair of Audit and Governance Committee to sign the Accounts and Letters of Representation on behalf of the Council once the audit opinions are provided, and to approve any final amendments to the Statement of Accounts arising from the closing stages of audit work.
- 3. To **note** the amendments to the 2023/24 accounts which are anticipated to be finalised before 28 February 2025.
- 4. To approve the Letters of Representation attached as Appendix B prior to their submission to the Auditor.
- 5. To approve the 2023/4 Annual Governance Statement (Appendix C), which will be signed by the Leader and the Chief Executive, confirming the governance arrangements that were in place during the year and which will be published alongside the Statement of Accounts.
- 6. To consider the draft Audit Opinion Report for 2023/24

#### Alternative options considered and rejected

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

#### Relevance to the Corporate Plan and/or the Plymouth Plan

The Council's expenditure forms the basis for the delivery of the Corporate Plan.

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

The changes actioned in the 2023/24 accounts will flow into the opening balance sheet position for the 2024/25 Statement of Accounts and, as such, will have implications for the Medium-Term Financial Plan. The level of Working Balance and reserves will affect the level of funding available in future years and variations in service expenditure will also need to be reviewed to assess any impacts.

#### **Financial Risks**

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

#### **Carbon Footprint (Environmental) Implications:**

N/A

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

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

The main risk associated with the late completion and publication of the statement of accounts for a local authority, particularly those where a disclaimed (no assurance) opinion is the risk of reputational damage. Due to the well-documented national issues with Local Audit there are a significant number of Councils across the country who will also receive a disclaimed opinion. Like Plymouth, the majority of these Councils have had their audit process cut short by the backstop arrangements, through no fault of their own. The accounts attached as Appendix A have been produced in a professional manner and will be signed off as representing a 'true and fair' view by the \$151 Officer. Government have asked auditors to be clear about the reasons for disclaimed opinions in their reporting, and have committed to ensure that assurance of financial statements will be rebuilt over future reporting cycles.

#### **Appendices**

\*Add rows as required to box below

Ref.	Title of Appendix	If some	all of the not for t	informat oublication	ion is con n by virtu	fidential, e of Part	er (if ap you must Lof Sched the relev	dule 12A
		I	2	3	4	5	6	7
Α	Audited Statement of Accounts 2023/24							
В	Letter of Representation 2023/24							
С	Annual Governance Statement 2023-24							
D	Draft Audit Opinion Report 2023/24							

#### **Background papers:**

\*Add rows as required to box below

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

Title of any background paper(s)	background paper(s) Exemption Paragraph Number (if applicable)						
	is not for	ll of the in publication ent Act 19	by virtue	of Part Io	f Schedule		
	ı	2	3	4	5	6	7
Auditor's Annual Report for the year ended 31 March 2024							

#### Sign off:

Fin	OW. 24.25. 035	Leg	LS/00 0010 75/1/ AC/1 0/2/2 5	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: 28/01/2025

Cabinet Member approval: Approved by Cllr Lowry verbally

Date approved: 06/02/2025

#### **Final Statement of Accounts 2023/24**

#### I. Introduction

- 1.1 The Statement of Accounts for 2023/24 (see Appendix A) has been prepared in a format to comply with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (The Code) and reflect the 2023/24 revenue and capital outturn position which was reported to Full Council on the 16 September 2024.
- 1.2 The Accounts and Audit (Amendment) Regulations 2024 came into force on 30 September 2024 and provided for statutory 'backstop' arrangements to help clear the backlog of audits and rebuild assurance.
- 1.3 The final published accounts for 2019/20, 2020/21, 2021/22 and 2022/23 were published prior to or by the backstop date of the 13 December 2024.
- 1.4 Over recent years the Council, like many local authorities, has experienced significant delays with the audit of its accounts. As reported to the committee on the 11 December 2024, the local audit backstop arrangements have been established to set dates by which an authority must publish a final version of its statement of accounts for a particular year, irrespective of the progress that has been made by the auditor. The backstop date for the 2023/24 financial year is 28 February 2025.

#### 2. Final Publication of the 2023/24 Accounts

- 2.1 The draft Statement of Accounts 2023/24 were approved by the Service Director for Finance and published by the statutory deadline of 31 May 2024. Following publication and in accordance with the regulations, the accounts and supporting documentation were made available for public inspection from 3 June to 12 July 2024 and the relevant statutory public notice was published on the Council's website. There were no objections raised during the inspection period.
- 2.2 The accounts were presented to this committee on the 23 July 2024 and Grant Thornton commenced their audit in October 2024, in line with the audit plan presented to the committee on 12 November 2024.
- 2.3 The Statement of Accounts for 2023/24 are now in the final stage of being audited and amended and the Final Statement of Accounts for 2023/24 (attached as Appendix A) are being presented to the Committee for approval prior to publication on the Council's website. The amended accounts are currently being reviewed by Grant Thornton to ensure that all of the expected adjustments have been accounted for correctly prior to publication.
- 2.4 As at the date this report was written, the audit of the accounts has not been finalised, the Committee is asked to endorse that delegated approval be given to the Chair of Audit and Governance and the Section 151 Officer to sign the Final Statement of Accounts after the Audit and Governance Committee session on 18 February 2025 (if this is not resolved before the session itself). If the audit is complete by 18 February 2025, then the accounts will be able to be signed at the Audit and Governance Committee session.
- 2.5 As has been discussed in previous meetings of the Audit and Governance Committee, receiving a modified or disclaimed audit opinion for 2022/23 has had an impact on the audit opinion for

2023/24. This is because the auditor is not able to rely on audited opening balances in the accounts for 2023/24. The Council is expecting to receive a modified or disclaimed audit opinion for the 2023/24 accounts. However, the audit work that has just been completed by the auditors has started the process of rebuilding assurance over the Council's accounting statements.

#### 3. Audit Completion Reports

- 3.1 The external auditor's value for money commentary for 2023/24 was presented to this committee on the 12 November 2024 through the Interim Auditor's Annual Report for the year ended 31 March 2024. Two significant weaknesses were identified:
  - (i) Financial sustainability
  - (ii) The need to improve economy, efficiency and effectiveness in Children's Services following an Ofsted improvement notice.
- 3.2 The Council has taken steps to address the weaknesses identified in 2023/24 through a range of management actions in the current financial year.
  - (i) The Medium Term Financial Strategy (MTFS) 2024/25 -2028/29 was approved by Full Council on the 16 September 2024 and the latest Medium Term Financial Plan (MTFP) will be going to Full Council on the 24 February as part of the budget setting process. This sets out a significantly reduced cumulative budget gap forecast over the next five years.
  - (ii) The Council is developing a change programme alongside a refreshed MTFS, with the objective of setting out clear plans to balance the budget over the medium term. An initial, high level change programme was included within the MTFP report to Cabinet on 10 February 2025; this will be further developed alongside the MTFS and reported to the March 2025 Cabinet meeting.
  - (iii) The Council established a Children's Improvement Board, chaired by the Director of Children's Services from Dorset Council. This has met every six weeks; rapid progress on the delivery of the six key priorities within the agreed Improvement Plan led to the lifting of the improvement notice in January 2024. The service published 'Achieving Excellence A Strategy for Children's Services 2024-27' at the Children, Young People and Families Scrutiny Panel meeting on the 18 July 2024 and continues to work to improve the services provided to the city for Children, Young People and Families.
- 3.3 The Audit Findings Report is being presented to Audit and Governance Committee by Grant Thornton elsewhere on this agenda for review. Officers wish to draw the Committee's attention to the Audit Adjustments contained within Appendix C of the Audit Findings Report. This highlights the key changes to the accounts between the draft and audited versions.
- 3.4 Upon consideration of the Audit Findings Report, members are asked to delegate authority to the Section 151 Officer in consultation with the Chair of Audit and Governance Committee to sign the letters of representation attached as Appendix B to Grant Thornton LLP for the Council and to sign the accounts.
- 3.5 The draft Audit Opinion Report for 2023/24 is attached as Appendix D. As a result of the limitations imposed by the backstop date, Grant Thornton have been unable to obtain sufficient appropriate audit evidence over the Council's opening balances reported in the financial statements for the year ended 31 March 2024. They have therefore issued a disclaimer of

opinion on the financial statements for 2023/24. This enables the Council to comply with the requirement of the backstop regulations to publish the accounts by the 28 February 2025.

#### 4. Annual Governance Statement 2023/24

4.1 The approved Annual Governance Statement (AGS) is required to be published alongside the Council's financial statements. The AGS for 2023/24 was submitted for review by this committee on the 23 July 2024 and is attached as Appendix C. A review of the AGS has determined that no further changes are required.

#### 5. Changes from draft publication of the 2023/24 draft Accounts

- 5.1 The draft accounts for 2023/24 have been adjusted to reflect issues raised in the Grant Thornton Audit Findings Report of the accounts for 2023/24. They also reflect historic adjustments in relation to previous year's published accounts. The main changes are listed below:
  - Changes to reflect the accounting treatment of the pension transaction from 2019/20 and associated movements through reserves;
  - Removal of associated Minimum Revenue Provision (MRP) in relation to the pension transaction and associated reserve movements;
  - Changes to the accounting treatment of the Interest Rate Swap (previously accounted for as a hedge transaction);
  - Amendments to the notes on Heritage Assets to add items below £100k and the special books collection;
  - Corrections to Property, Plant & Equipment (PPE) entries arising from making adjustments to prior year depreciation charges on "material" assets;
  - Corrections to the reporting of Academy schools disposals, which were incorrectly presented in the Comprehensive Income and Expenditure Statement (CIES);
  - Revenue Expended From Capital Under Statute (REFCUS) incorrectly classified as fees and charges has been reclassified as Taxation and Non-Specific Grant Income;
  - Revaluation errors in Property, Plant and Equipment (PPE) have been corrected;
  - Incorrect classification of Short Term Debtors has been corrected (some entries should have been reported as Short Term Creditors).

#### 6. Letter of Representation & Audit Completion

- 6.1 Appendix B is the letter of representation from the Council to the external auditor which sets out certain facts the external auditor has relied upon to complete their reports. These require approval by the Audit and Governance Committee, and delegated approval for the Section 151 Officer and Chair to sign this letter and the updated final version of the accounts to be published (when the audit is concluded) is being sought at this Committee today.
- 6.2 The accounts can be published on the Council's website once Grant Thornton have completed their audit work and issued their audit opinion. This will mark the end of the accounting process for the 2023/24 financial year.



## **2023/24 STATEMENT OF ACCOUNTS**



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

#### INTRODUCTION

# Welcome to the Narrative Statement for the Statement of Accounts for Plymouth City Council 2023/24.

The accounts provide a true and fair view of the financial performance of the Council in the delivery of services to the residents of Plymouth. They summarise the overall financial position of the Council for the year ended 31 March 2024. The accounts and accompanying documents are subject to an external independent audit by Grant Thornton LLP and will remain as draft accounts until they have been agreed and signed off by them.



In previous years, this would have seen the final, audited accounts being presented to the Audit and Governance Committee at the end of September 2024. However, there were national issues with audit work programmes and the Accounts and Audit (Amendment) Regulations 2024 came into force on the 30 September 2024 which provided for statutory 'backstop' arrangements to help clear the backlog of audits and rebuild assurance. The 'backstop' date for the 2023/24 Statement of Accounts is the 28 February 2025 and it is our intention to work with

our external auditors Grant Thornton to achieve this deadline.

The preparation of the Statement of Accounts provides the opportunity to look back at the past financial year and to report on the current financial and non-financial position of the Council.

We are a large and diverse organisation, and the accounts are therefore complex, and where necessary, we have made estimates and judgements in preparing these accounts, complying with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

The 2023/24 financial year again saw some significant financial pressures on the Council, which the Council has responded to by protecting its existing General Fund (Working Balance) reserve, by releasing available reserves whilst undertaking in year cost control and income maximisation measures.

Plymouth City Council, along with most local authorities across the country, continues to face significant challenges in providing essential services to meet the needs of residents within the level of resources it has at its disposal. This has been added to by the continuing challenging operating environment and increasing and more complex local service demand.

As reported throughout 2023/24 the Council faced the perfect storm of continuing major increases in service demand post the pandemic combined with unavoidable and rapid increases in operating costs across almost every aspect of the authority. This had a huge impact on the Council's approved financial plans for 2023/24 and the general economic climate created serious cost of living challenges for some of our residents.

The most challenging area of concern and level of overspending in 2023/24 has been the cost of externally purchased Children in Care placements. This has been a pressure faced by the Council for several years, but it got significantly worse in 2023/24 and will continue into 2024/25. It is a challenge that is replicated across most upper tier local authorities throughout the country. Residential Care placements are in short supply, and this has pushed up prices significantly for all local authorities. This is of most concern where a child has complex needs and or challenging behaviour. Home to School transport has been under significant pressure due to high inflation, increased number of high cost routes and high needs children being placed outside the city. Adult Social Care has seen continued pressure for emergency accommodation within Community Connections to meet the homelessness demand and the budget for Care Packages has also been under pressure.

#### **Revenue Outturn**

The Council has balanced its budget reporting a breakeven position. The overall net spend matches the net budget of £218.440m.

Within this overall balanced position the following headline financial issues are reported:

- A nil variance on a gross expenditure budget of £560m. This is a significant achievement during a year with continuing cost and demand pressures on services, particularly within Children's Services.
- The 2023/24 budget included ambitious savings targets totalling £23.435m, which were not all achieved in full.
- The drawdown of £1.953m of usable reserves throughout the year and the use of £9.307m of Corporate resourcing adjustments.
- Drawdown from the Working Balance of £8.7m has not been required.

#### **Capital Expenditure**

As well as delivering vital day to day services for residents, businesses and visitors, the Council continues to be at the heart of investment in the local area, improving assets to deliver services more efficiently and effectively and creating the right conditions to attract additional private sector investment. Capital spending can generally be defined as that which generates assets that have a life of more than one year. This includes the acquisition or construction of new assets and expenditure that improves, and not merely maintains, the value of existing assets. In 2023/24 the Council invested £91.361m into capital schemes to continue to improve Plymouth as a place to live and a destination to visit.

#### **Capitalisation Direction**

The Council is working with DLUHC (Department for Levelling-Up, Homes and Communities) plus the external auditors – Grant Thornton, to resolve an outstanding technical issue relating to the Statement of Accounts for 2019/20.

The Statement of Accounts for 2019/20, 2020/21, 2021-22, 2022-23 were all published before or by the 'backstop' deadline of the 13 December 2024 and these accounts will be published by the 28 February 2025. The impact of the capitalisation direction will be reflected in the accounting year in which the direction is applied.

#### And finally...

Continued vigorous cost management and focused delivery of planned revenue savings will again be key in the new financial year 2024/25. Each Directorate must ensure that it at least manages within its allocated budget and delivers the agreed savings. All effort must be made to finish below budget, through further cost savings and increased income generation.

The Council will submit the draft Statement of Accounts 2023/24 to the Audit and Governance Committee 23 July 2024.

In this document, the Council demonstrates that it has a secure and sustainable financial standing. The Council has fulfilled its stewardship function for all the public money entrusted to it in a cost effective and appropriate manner.

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David Northey FCCA
Service Director for Finance and Section 151 Officer

XXXX



## Plymouth Britain's Ocean City

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

## THE PLYMOUTH PLAN 2014 - 2034

WHAT WE WANT TO ACHIEVE...

#### HEALTHY CITY

People live in happy, healthy, safe and aspiring communities

#### GROWING CITY

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

# INTERNATIONAL CITY

Plymouth is internationally renowned as Britain's Ocean City and is the UK's premier marine city, famous for its waterfront, and being home to the UK's first National Marine Park

## REGIONAL

Plymouth will be fulfilling its role as a regional city and a major economic driver for the Heart of the South West

#### **HOW WILL WE KNOW WE'RE SUCCESSFUL?**

People have the best start to life and improved health, increased life expectancy, and a better quality of life

More people taking care of themselves

More residents are contributing to and being involved in their community

People are well housed, live in good quality, well looked after neighbourhoods where they feel safe and happy

Good quality, sustainable health and wellbeing services for people who need them, when they need them The population has grown close to the city's ambition of 300,000

Plymouth continues to be recognised as a leading Green City

Plymouth has a vibrant, productive, inclusive and innovative business sector with a workforce that is paid a living wage

People have the skills to be school ready and work ready

Plymouth continues to strengthen conditions for increased growth, including ensuring effective infrastructure delivery Plymouth continues to improve its diverse cultural and sporting experience

Plymouth is internationally renowned as a leading UK tourist destination

Plymouth is recognised internationally for expertise in marine science and hi-tech manufacturing

Plymouth's reputation for world class universities and research institutions continues to grow

Plymouth's reputation is strengthened as a welcoming, multicultural city.

Plymouth recognised as a key regional economic driver

High quality strategic services and facilities that serve the people of Plymouth and the sub region

Plymouth's strategic defence role is protected and strengthened





# OUR PLAN BUILD A BETTER PLYMOUTH



### CITY VISION: Britain's Ocean City

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

Plymouth Britain's Ocean City

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

#### WE BELIEVE IN:

#### **DEMOCRACY**

Because we listen and hear what people want

#### RESPONSIBILITY

Because we care about the impact of our decisions and actions

#### **FAIRNESS**

Because we want to address inequality and inequity in our city

#### CO-OPERATION

Because we achieve more together than we would alone

#### WEWILL:

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

#### **OUR PRIORITIES:**



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



Fewer potholes, cleaner, greener streets and transport



Build more homes - for social rent and affordable ownership



Green investment, jobs, skills and better education



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



Keeping children, adults and communities safe

www.plymouth.gov.uk/ourplan

#### DOING THIS BY:



Providing quality public services



Trusting and engaging our communities



Focusing on prevention and early intervention



Spending money wisely



Empowering and engaging our staff



Being a strong voice for Plymouth OFFICIAL Page 84 PLYMOUTH CITY COUNCIL

#### **AIMS, OBJECTIVES AND ACHIEVEMENTS**

The Statement of Accounts should be read in conjunction with the Council's Corporate Plan. The Council adopted a revised Corporate Plan in June 2023. The plan reflects the administration's ambition for the city and the Council, takes account of the progress that the Council has made in recent years and address the new challenges that we face. The Council retained and re-endorsed the City Vision: to be one of Europe's most vibrant waterfront cities where an outstanding quality of life is enjoyed by everyone, and revised the Council's mission to better reflect how the Council contributes to the City Vision, with emphasis on fairness, environmental sustainability and co-operation. The Council's adopted values were also revised to fully reflect our expectations of ourselves and each other, and provide a basis on which the Council can be held to account by its citizens.

There are six priority areas for delivery through the Corporate Plan, and the plan highlights the importance of retaining a focus in all of the Council's activities on Plymouth being a great place to grow up and grow old, and on minimising the impact of the cost of living crisis. The Council's Corporate Plan priorities are:

- Working with the Police to tackle crime and anti-social behaviour
- Fewer potholes, cleaner, greener streets, and transport
- Build more homes for social rent and affordable ownership
- Green investment, jobs, skills, and better education
- Working with the NHS to provide better access to health, care and dentistry
- Keeping children, adults, and communities safe

The Council's business planning and performance management frameworks are the mechanism that drives delivery of the above priorities, and resource allocation is geared to ensure that delivery plans against the priorities are sustainable, alongside the Council's wider range of statutory and discretionary services.

#### PLYMOUTH CITY COUNCIL DEMOCRACY AND GOVERNANCE

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

The Council is made up of 57 Councillors for 20 wards. The political make-up of the Council during 2023/24 was:

- Labour Party 32 Councillors
- Conservative Party 18 Councillors
- Green Party 2 Councillors
- Independent Alliance 3 Councillors
- Independent 2 Councillors

Following the election in May 2023, the Council is controlled by the Labour Party. The Council has adopted the 'Strong' Leader and Cabinet model as its political management structure. The Leader of the Council (Cllr Tudor Evans OBE) has responsibility for the appointment of Members of the Cabinet (also known as the Executive), the allocation of Portfolios and the delegation of executive functions. The Cabinet is the main decision-making body of the Council. It is responsible for policies, plans and strategies, which must be implemented within the budgetary and policy framework adopted by Full Council. The Council elects the Leader each year at the Annual General Meeting (usually held in May).

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

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

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

#### Plymouth - Britain's Ocean City

Plymouth City Council is a unitary local authority responsible for over 300 local services including transport, social care and education. With a resident population of 264,700 (2021) and a further 100,000 residents in the travel to work area, Plymouth is the largest city on the South coast and the 15th biggest city in the country. Plymouth is also the most significant urban area on the south west peninsula with an economic output of £5.44 billion (2021), supporting 115,000 jobs and is the key urban hub of the Heart of the South West Enterprise Partnership making it a key location for growth. The city has the highest concentration of manufacturing and engineering employment in the whole of the South of England. 20% of the UK's blue—tech marine companies are based here and 14.6% of Plymouth's jobs are in the manufacturing industry, far exceeding the national average of 8.8% (2019).

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

#### **Regional Influence**

The functions of the Heart of the South West Partnership Local Enterprise Partnership (HotSW LEP) are in the process of transferring to the principal local authorities in Devon and Somerset as part of new Government policy and this will be effective from the I April 2024. This means that Plymouth City Council, Devon County Council, Somerset Council and Torbay Council will now individually be responsible for economic strategy, Government programmes such as the Growth Hub and Careers Hub and ensuring local business has a voice in decisions affecting the future of the economy through Economic Growth Boards in their areas. The four councils will continue to work together to ensure sensible collaboration on sector support and strategic partnerships.

#### **Future Vision**

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

The Plymouth Plan includes plans to increase its resident population to 300,000, build an additional 19,000 homes (of which 4,550 are affordable), reduce carbon emissions by 50%, improved broadband

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for all premises and to create 20,400 jobs. The Council worked closely with local strategic partners West Devon and South Hams Councils to create 'The Plymouth and South West Devon Joint Local Plan' to support local thriving towns and villages. The three councils joined up to create this plan (now adopted) which looks at every aspect of how we want our cities, towns and villages to look and feel over the next 20 years. The existing policies in the Plymouth Plan will now be combined with the Plymouth-specific policies in the new Joint Local Plan to create one document.

#### **National Marine Park (NMP)**

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

The 'Park in the Sea' aims to:

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

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

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

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

An £11.6m National Lottery Heritage Fund grant was awarded in February 2024 to help with the delivery of the UK's first National Marine Park.

#### **Plymouth and South Devon Freeport**

The Plymouth and South Devon Freeport was designated by statutory instrument in October 2022 and the government announced full business case approval in December 2022. The Freeport is a dynamic public/private partnership with Plymouth City Council, South Hams District Council and Devon County Council working alongside Princess Yachts, Carlton Power, the Sherford Consortium and a wide range of stakeholders including the Universities of Plymouth and Exeter, Plymouth port operators, skills providers and the Heart of the South West LEP to ensure its success.

The Freeport represents a unique opportunity to level up, address historical challenges and leverage exciting new opportunities to transform the economy of Plymouth and South Devon through:

- Physical regeneration by delivering infrastructure to unlock key employment sites and innovation assets, supporting business clustering and clean growth opportunities.
- Economic regeneration by delivering inward investment, supply chain opportunities and productivity gains within our identified growth sectors.
- Social regeneration by delivering a pipeline of jobs across the spectrum of employment from entry level to higher skilled/high value with upskilling opportunities.

#### The Freeport intends to:

- Create a national hub for trading and investment
- Promote regeneration and job creation.
- Create a hotbed for innovation.

The Freeport will continue to build on the extensive partnership work initiated during the last two years and support interested businesses with contracting, designing and planning their place within the Freeport.

During 2023-24 the Freeport formally accepted £19.946m of funding from DLUHC. The grant will unlock essential capital works to key assets, which will benefit the city's residents as well as establish Plymouth as a Net Zero port city with a superb waterfront.

#### **Devon Business Rates Pool**

The Devon Business Rates Pool (DBRP) has been operating since April 2013 and each year the pool has delivered a pool gain to its members. The table shown below demonstrates the benefit to pool members for each financial year from 2013 to the end of March 2024. As can be seen from the table below, Plymouth has benefitted from an additional £15.325m since 1 April 2013 and the Devon economy has benefitted overall by £75.025m since the pool's inception in 2013.

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

	Devon Business Rate Pooling Gains 2013 to 2024								
Business Rate Retention Scheme	2013-19	2019/20 50%	2020/21 50%	2021/22 50%	2022/23 50%	2023/24 50%	Total		
	£	£	£	£	£	£	£		
Devon	19,320,671	2,228,157	2,145,986	2,511,070	2,290,137	2,650,472	31,146,493		
East Devon	2,249,581	315,779	303,873	355,874	324,563	390,976	3,940,646		
Exeter	2,246,580	682,088	656,335	768,694	701,061	773,790	5,828,548		
Mid Devon	500,959	166,760	160,490	187,934	171,399	207,161	1,394,703		
North Devon	1,253,133	319,050	307,028	359,561	327,925	370,861	2,937,558		
South Hams	611,590	308,947	297,284	348,174	317,541	368,516	2,252,052		
Teignbridge	1,067,015	316,768	304,841	356,989	325,580	387,651	2,758,844		
Torridge	630,817	139,918	134,669	157,684	143,811	175,409	1,382,308		
West Devon	499,813	128,901	124,053	145,268	132,487	156,429	1,186,951		
Plymouth	5,218,386	1,904,143	1,837,986	2,145,916	1,957,110	2,261,935	15,325,476		
Torbay	1,976,232	922,674	888,429	1,039,828	948,340	1,096,376	6,871,879		
Total	35,574,777	7,433,185	7,160,974	8,376,992	7,639,954	8,839,576	75,025,458		

#### The Council's Approach to Climate Change

In early 2019, Councillors voted unanimously to declare a Climate Emergency, making a pledge to make Plymouth carbon neutral by 2030. The pledge exceeds the climate objectives of the UK and Plymouth have developed a Net Zero Action Plan (NZAP) to work towards the reduction in carbon emissions to ensure the Council is a net zero organisation by 2030.

The NZAP covers two main areas:

- Action commitments to reduce emissions from the facilities we own and the services we deliver.
- Action commitments about how the Council uses its powers to help the city as a whole move towards net zero.

The NZAP has been guided by the Carbon Management Hierarchy (CMH). This aims to give focus first to actions that avoid emissions in the first place, followed by those that reduce emissions.

The key priorities for net zero are:

- Cut our emissions from travel
- Cut our emissions from construction and buildings
- Deliver a step-change in low carbon energy generation
- Consume responsibly and reduce our waste
- Engage the whole city in the net zero mission
- As a last resort, offset the emissions we can't stop

#### The Way We Work

The Workforce Modernisation Programme's vision is:

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

The Future Council Programme has fundamentally changed initially in response to the COVID-19 pandemic. The Council's ability to change at pace has enabled the programme to be re-prioritised into

three key projects to be more flexible and responsive. The revised programme will work in a more agile way and covers three work streams; Accommodation, Business Support Review and Digital.

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

- Reducing expenditure;
- Increasing employee performance and improved staff health and well-being;
- Increasing organisational compliance;
- Improving customer satisfaction.

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

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

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

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

Our priorities include:

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

#### The Council's Performance

The Plymouth City Corporate Plan 2023-28 sets out the Councils vision of Plymouth being 'One of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone'. This was approved by Full Council in June 2023. The Corporate Plan priorities are delivered through specific programmes and projects which are coordinated and resourced through cross-cutting strategic plans, capital investments and directorate business plans. The key performance indicators (KPIs) and their associated targets are monitored quarterly to inform us on how we are doing in delivering what we have set out to achieve in the Corporate Plan. We have continued to transform how we deliver services to ensure they are more efficient and better focused on customer needs. This includes working in new ways, joining services up with our partners and maximising the opportunities from digital technology.

#### **FINANCIAL PERFORMANCE**

# Strategy and Resource Allocation – The Council's Budget and Medium-Term Financial Plan 2023/24 to 2027/28

The Council's gross revenue budget for 2023/24 was £560.189m, which after adjusting for income equates to a net budget requirement of £218.440m. This was approved by Full Council on the 27 February 2023. The budget was developed following input and reviews with Directors and other officers and Members, including Cabinet. The budget was formulated having regard to a number of factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures. The savings plans included in the budget take into account Council priorities and are assessed against an agreed set of impact criteria and equality assessments. Budget monitoring and scrutiny arrangements were in place throughout the year, which included arrangements for the identification of early remedial action supported by a clear action plan, reporting and regular monitoring.

A summary of the overall budget position is shown below, which includes the Medium-Term Financial Plan for the next five years (2023/24 to 2027/28). The Medium-Term Financial Plan is integral to the Budget Preparation process and is regularly reported to Members as part of the budget updates through the year:

Medium Term Financial Strategy	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Forecast	2027/28 Forecast
	£m	£m	£m	£m	£m
Core Resources					
Revenue Service Grant	(11.562)	(12.188)	(12.257)	(12.259)	(12.340)
Council Tax	(130.625)	(138.979)	(144.138)	(149.480)	(154.525)
Business Rates	(75.253)	(77.728)	(77.406)	(77.409)	(77.516)
Reserves	(1.000)	0	0	0	0
Core Resources Total	(218.440)	(228.895)	(233.801)	(239.148)	(244.381)
Net Expenditure					
Expenditure Brought Forward	218.440	218.440	240.109	248.119	258.130
Add Right-Sizing Costs / Adjustments	0.000	10.835	6.467	6.230	6.724
Add Demand-Led Pressures	0.000	10.834	1.543	3.781	4.035
Net Expenditure Total	218.440	240.109	248.119	258.130	268.889
Forecast Shortfall	0.000	11.214	14.318	18.982	24.508

#### Key Financial Planning Considerations:

- Continuing one-year Revenue Support Grant settlement, with annual inflation uplift.
- The cap on council tax increases, reflecting central Government's direction of the confirmed 2.99% for 2024/25, will revert to 1.99%.
- The forecast, reflecting central Government's direction, assumes there will be a further 2% Adult Social Care precept in 2024/25 with 1% modelled for future years. The final decision on core Council Tax and ASC Precept changes will require Full Council approval as part of the annual budgets.
- Uncertainty to future funding due to the delay in 100% Business Rates Retention.
   Assumption is the current system remains, with assumed annual inflation uplift.
- Reductions in other Government grant funding without matching reductions and responsibility for related services provision.
- Uncertainty about any future Fair Funding Review.

- A continuing range of increasing costs in order to meet the demands on the Council and maintain key services, particularly in Adult Social Care, Children's Social Care and Homelessness.
- Increased costs of meeting new initiatives.
- General inflation relating to external spend and contracts have not been accounted for on the understanding that smarter procurement practices will continue to contain significantly increased spending.

#### 2023/24 Revenue Outturn

The Council has balanced its budget, reporting a breakeven position for 2023/24. The overall net spend matches the net budget of £218.440m. Within this overall balanced position the Council has overcome £20m of additional in-year costs and pressures. The setting aside of resources, as approved by Full Council on the 27 February 2023, has assisted in balancing the 2023/24 Revenue Budget.

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

Directorates, with the exception of Executive Office, Customer and Corporate Services and People, came in on or under budget for their business-as-usual activity.

The net revenue budget of £218.440m was allocated to council services as follows:

Directorate	2023/24 Net Budget Expenditure	Provisional Outturn	Year-End Over/ (Under) Spend	Status
	£m	£m	£m	
Executive Office	6.403	6.739	0.336	Over
Customer and Corporate Services	51.070	53.682	2.612	Over
People Directorate	159.839	174.640	14.801	Over
Office for the Director of Public Health	2.829	2.802	(0.027)	Under
Place Directorate	29.617	28.875	(0.742)	Under
Corporate Items	(31.318)	(48.298)	(16.980)	Under
Total	218.440	218.440	0.000	Even

#### The People Directorate

Children's Services reported an adverse outturn position of £11.629m against the £63.493m budget. Within the Directorate, Children, Young People and Families (CYPF) recorded a £8.893m overspend, and the Education, Participation and Skills (EPS) department had an overspend of £2.737m. Within CYPF, pressures were experienced due to continued high numbers of packages in Residential, Supported Living & Bespoke settings, with an increased number of placements costing between £12k – £25k per week plus Supported Living placements in situ averaging 15 more than the previous financial year. Children in Care and associated costs accounted for all the pressure reported. Due to increased volumes of placements the Service were unable to achieve savings targets that were associated with reductions in numbers of Looked After Children. Within EPS, SEND Home to School transport saw additional costs of £1.827m, reflecting inflationary pressures on transport costs and an increasing number of high cost routes, as high needs students are placed outside of the city.

Adult Social Care reported an overall overspend of £3.172m, of which £2.298m is within Community Connections and relates to continued pressures for emergency nightly paid accommodation to meet the increasing homelessness demand. Within Adult Social Care, the budget for Care Packages had a pressure of £6.430m, this was offset by additional short term grant funding received, vacancy savings and released funding from reserves and provisions. The final outturn figure was £0.874m.

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As homelessness has increased, the use of temporary accommodation has increased also. At the same time the move-on options to affordable housing have reduced as the private rented sector has become unaffordable and social housing availability has reduced and fails to meet demand. This has resulted in existing temporary accommodation becoming silted up and more utilisation of bed and breakfast and expensive nightly paid alternatives (holiday lets).

Office of the Director of Public Health (ODPH) reported an underspend of £0.027m. Their budget is ringfenced and not included in the outturn position for the Council.

Place Directorate achieved an underspend of £0.742m. Management actions to compensate for budget pressures have included non-essential spend limitation and savings through the re-negotiation of commercial contracts.

**Executive Office** ended the year with an overspend of £0.336m due to additional election costs and unachieved efficiencies.

The Customer and Corporate Services Directorate reported an overall overspend of £2.612m. This reflects a mix of variations across the departments, including Facilities Management (FM) with an overall pressure of £1.542m. This includes pressures of £1.264m on Repairs and Maintenance budgets, and £0.695m additional costs associated with holding Windsor House and Midland House for an extended period ahead of their planned disposal.

Corporate Items came in £16.980m under budget, despite covering additional costs for the following.

- An additional pressure of £1.190m due to the pay award announced in November 2023, which was an average increase of over 5% compared to the budgeted 4% estimate.
- There were also additional costs of £0.105m relating to Operation Foster (Keyham Bomb Incident) which were required to be met Corporately. These fell short of the Bellwin scheme threshold for Government financial support, which in 2023/24 for Plymouth was £0.437m
- The Council also incurred a HSE Fine of £0.200m, for failures associated with exposure to hard arm vibration whilst carrying out grass cutting and arboriculture work.

The favourable position was achieved through £8.116m savings made within Corporate and contingency budgets. Additionally, £7.159m additional resource adjustments from Non-Domestic Rates and the Devon Business Rates pooling gain, and £2.148m from Council Tax. £0.890m was released to corporate budgets and £1.063m to Directorate budgets from usable reserves not required (total £1.953m).

#### **Working Balance**

The Working Balance as at 31 March 2024 after the adjustments for the transaction of £73.375m is a negative balance of £60.138m (prior to this adjustment the Council's Working Balance was £8.743m). It is expected that the Working balance will return to this level once the Capitalisation Direction is awarded by Government.

#### **Other Financial Performance**

In addition to the financial outturn reports within this report there were a range of other significant performance achievements which have contributed to the year-end position. In year collection targets are set for our Council Tax, Business Rates, Commercial Rents, and Sundry Debt Income including our Trade Waste Income. The 2023/24 revenue budget was based on the achievement of the required targets.

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

Some key indicators are:

- 96.50% of Council Tax collected in year for 2023/24 towards the total collection target of 96.50% (96.66% in 2022/23). This equates to £153.018m (£145.755m in 2022/23). This was slightly below the percentage collected in 2022-23.
- 98.80% of NDR collected in year for 2023/24 towards the total collection target of 99.00% (99.01% in 2022/23). This equates to £82.367m (£84.964m in 2022/23).
- Average borrowing rate of 3.23% was achieved below target of 4.% in 2023/24 (2.73% in 2022/23). An additional net £97m borrowing was taken between December 2023 and March 2024 to support cashflow needs through Public Loans Work Board (PWLB) at an average rate of 5.26%, this exceeded the 4% new borrowing target and was taken mainly for periods ranging from 12 to 18 months with the expectation that rates will come down by the time debt matures as indicated by Arlingclose, the Councils Treasury Management advisors.
- Average investment return of 5.33% was achieved against target of 2.0% in 2023/24 (3.93% in 2022/23).

#### Capital

During the year 2023/24 the Council spent £91.361m on capital projects within the city. This is shown by Directorate in the following table. This is within the approved five-year (2023-28) Capital Budget of £363.957m reported to Full Council on 27 February 2023.

L303.7371111e						
Directorate	Approved Capital Budget 2023/24	Latest Forecast December 2023	Approvals Post December	Re-Profiling	Variation & Virements	2023/24 Capital Spend
	£m	£m	£m	£m	£m	£m
Place Directorate	173.823	87.578	1.385	(24.091)	(0.426)	64.446
People Directorate	8.390	12.304	0.988	(1.028)	(1.124)	11.140
Customer and Corporate Services	7.672	4.718	1.028	(0.568)	(0.064)	5.114
Office for the Director of Public Health	10.682	11.580	0.033	(1.009)	0.057	10.661
Total Capital Programme	200.567	116.180	3.434	(26.696)	(1.557)	91.361

Throughout the year, the capital programme has continued to experience the ongoing challenges through high inflation and increased borrowing costs. This has resulted with targeted review and the reprofiling of projects being financed by corporate and service borrowing. Forecasts were updated following a further successful change request submitted to Department of Transport for Transforming Cities Funding Tranche 2 being granted allowing an extension of spending plans into 2024/25.

#### Capital Funding 2023-28

The latest capital programme is summarised as follows, this does not reflect the impact of the reprofiling of the budget for 2023/24 which is shown above:

Directorate	2023/24 Actual	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	Total
	£m	£m	£m	£m	£m	£m
Place Directorate	64.444	155.370	84.459	42.075	11.629	357.977
People Directorate	11.140	27.078	9.960	0.220	0.000	48.398
Customer and Corporate Services	5.116	5.287	1.545	0.710	0.280	12.938
Office for the Director or Public Health	10.661	6.167	0.105	0.000	0.000	16.933
Total	91.361	193.902	96.069	43.005	11.909	436.246

#### Capital Financing 2023/24

The following table shows the final financing of the 2023/24 capital programme:

Method of Financing	Total	Funding
	£m	%
Capital receipts	3.924	4
Grants (Government, HLF, LEP, Environment Agency)	41.268	45
Contributions, S106 & CIL (neighbourhood elements)	0.855	1
Borrowing:		
Corporately funded	25.158	28
Service burrowing (revenue budget funded)	20.156	22
Capital Programme Financings 2022/23	91.361	100

#### **Cash Flow Management**

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

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

Cash and short-term investment holdings at 31 March 2024 were £26.998m and are held to meet the Council's capital financing and cash flow requirements while obtaining a return on these investments. The Council also uses short-term borrowing from other local authorities to meet some of the funding of the Council's ambitious capital programme. As at 31 March 2024 the Council held £170.954m short-term borrowing and £493.106m long term borrowing which is within the Council's approved limits.

#### **Balance Sheet Position**

The Council's Balance Sheet position is as follows:

Position	Balance as at 31 March 2023	Balance as at 31 March 2024
	£000	£000
Non-current assets - principally land, buildings and equipment used to deliver council services	1,393,271	1,438,840
Net current assets - current assets less current liabilities	(297,778)	(254,755)
Long-term liabilities and provisions (including pensions) see points 1 and 2	(632,224)	(708,215)
Net Assets	463,269	475,870
Represented by:		
Usable reserves (see point 3)	72,170	74,525
Unusable reserves	391,099	401,345
Total Reserves	463,269	475,870

- I. The Council's largest balance sheet liability is the £493.106m of long-term borrowing which supports the capital programme. Until last year the Pension liability was the largest balance sheet item, but due to improvements in the triennial valuation the liability has now increased to £64.372m (£27.465m in 2022/23).
- 2. The Council has a number of liabilities at the year-end for which it has made provision. The most significant of which are:
  - The provision for Chelson Meadow which is a closed landfill site. The provision of £6.523m has been calculated on the future maintenance costs over the next 45 years and is reviewed each year;
  - In addition, the Council has set aside a provision for business rate appeals of £4.747m due to the COVID-19 pandemic and the uncertainty over business rates (£6.013m at 31 March 2023).
- 3. Usable reserves are currently split between those earmarked for capital investment and those allocated to revenue support and service development. Usable reserves also include £3.154m held on behalf of schools.
- 4. The Council holds a number of unusable reserves, the majority of which are required to be held for statutory reasons and some which are needed to comply with proper accounting practice. A further breakdown of unusable reserves can be found in the Notes to the Financial Statements section of the Statement of Accounts.

#### FINANCIAL MANAGEMENT AND IDENTIFYING RISKS

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

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

a five-year Medium Term Financial Plan (MTFP);

- a Treasury Management Strategy which includes our investment and borrowing strategies and includes the Council's 'Prudential indicators';
- Annual Revenue Budget.

These documents are continually updated and reviewed on a quarterly basis. The MTFP is wide ranging and includes estimates of future income and expenditure. It allows the Finance team to balance the financial implications of the Council's Corporate Plan, service objectives and policies with the constraints in resources. This year's budget (2023/24) and the modelling for future years budgets were prepared prior to the Ukrainian war taking place and they will be revisited in 2024/25 to determine what action needs to be taken to balance the budget.

The Department for Levelling Up, Homes and Communities (DLUHC) and CIPFA have published revised guidance and an updated Prudential Code to cover local authorities who invest in properties to obtain an income. The Council's Property Regeneration Fund has been set up to invest in property in areas requiring regeneration.

#### **Risk Management**

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

TOIIOWS:			
Risk	Link to Corporate Plan	lmpact	Mitigation
Financial			
The Council's expenditure exceeds the resources available to meet that expenditure within the medium term financial plan period (2022/23-2025/26).	Spending Money Wisely	Risk to services not delivering within reduced budgets and to delivery of the Plymouth Plan from reduced revenue and funding of the Capital Programme	System of monthly financial reporting to DMT's, CMT, and Cabinet and Quarterly to Full Council, with monthly consideration of directorate level financial issues at each Scrutiny Committee. In addition the Council has introduced a system of detailed monitoring of they delivery of savings targets so that a view is published monthly in Cabinet reports. The Council also holds an annual review of fees and charges and has annual and ongoing programmes of work to identify and understand potential savings opportunities. The governance system of the Council - as unpacked in the Annual Governance Statement comprise a rigorous system of financial control.
Lack of adult social care workforce and growing fragility of Adult Social Care Market leading to inability of Authority to meet statutory duties and meet eligible need.	Working with the NHS to provide better access to health, care and dentistry. Keeping children, adults and communities safe.	Council failure to meet statutory duty to the adult population of Plymouth	Health & ASC Winter Plan which will bring in additional elements of contingency planning, uplift in fee rate to help support the market. Risk to be monitored through contract monitoring and market intelligence.

Risk	Link to Corporate Plan	Impact	Mitigation
Operational/Service Delivery			
A Cyber-attack renders all of the Council's IT inaccessible for an extended period of time therefore impacting on the Councils ability to deliver services.	Focusing on prevention and early intervention	Impact on Council's ability to provide services and to operate	Cyber Security Briefings now part of CMT quarterly reports.  DELT Cyber Security plan now developed for CMT sign off.  The council has undertaken significant action to mitigate against cyberattacks, however the threat remains constant as such the probability of attack remains high.
IT supply chain constraints results in increased costs and extended lead times for equipment.	Spending Money Wisely	High risk of further waves of infection, timing uncertain	PCC to pre plan as far ahead as possible on any purchases of technical goods or services, notifying Delt during the planning phase of such work. Delt have been provided with Capital Plan for 2022/23
There is a significant demand for homelessness services, leading to pressure on service delivery and statutory targets with additional significant budget implications.	Keeping children, adults and communities safe	Council failure to meet statutory duty to the adult population of Plymouth	Homelessness Recovery Plan has been developed. Housing Task Force providing strategic leadership and is driving the recovery plan this includes representation from across the council to ensure that the organisation has the appropriate focus on this priority area - this is led by the Relevant Cabinet Member and the Chief Executive. The Homelessness Recovery Board is managing / delivering operational elements of the recovery plan, and reports onto the Taskforce.

#### **LOOKING FORWARD**

The Budget report presented to Full Council on 8 March 2024 set out the national context for large reductions in local government funding and the Local Government Finance Settlement. The 2024/25 Budget Report contains a commitment that the 24/25 budget will feed into the revised 5-year Medium Term Financial Plan (MTFP) that will be presented to Full Council in September 2024, reflecting the Council's financial response to ongoing inflation and demand pressures.

The impact of pressures within Social Care in both adults' and children's services continues to have a significant impact upon the Council's resources. We are also seeing an increase in the demand or cost pressures in both homelessness and bed and breakfast accommodation or in delivering our statutory responsibility to provide home to school transport for our most vulnerable children. Nationally and locally the costs of providing health and wellbeing services are rising as demand increases. Plymouth has an ageing population with more complex needs and higher levels of young children requiring our services.

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

#### **STATEMENT OF ACCOUNTS 2023/24**

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2024. The format and content of the statements is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA), Code of Practice on Local Authority Accounting in the United Kingdom 2023/24. This is based on International Financial Reporting Standards (IFRS) adapted for use in a public sector context. Accounting policies are applied in accordance with these standards. The Statement of Accounts comprises:

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Statement of Responsibilities	This sets out the respective responsibilities of the Council and
for the Statement of Accounts	the Chief Finance Officer (Service Director for Finance).
Auditor's Report	This gives the auditor's opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.
<b>Core Financial Statements:</b>	
Comprehensive Income and Expenditure Statement (CIES)	This shows the net cost of providing services for the year, including that for Plymouth's maintained schools. The top half of the statement provides an analysis by service area, on the same basis that these services are managed by the Council. The bottom half of the statement deals with in accordance with generally accepted accounting practices. The Expenditure Funding Analysis (note 7) compares the CIES with levels of income and expenditure which are taken into account when setting the annual budget and council tax since certain amounts are disregarded by statute.
Balance Sheet	The Balance Sheet shows a 'snapshot' of the Council's financial position at year end. The top half of the Balance Sheet sets out the Council's assets and liabilities, including provision for known liabilities from past events that can be reliably estimated. The lower half of the Balance Sheet shows the Council's reserves. Usable reserves reflect actual cash amounts and unusable reserves result from accounting adjustments required by statute or accounting standards and cannot be spent.
Movement in Reserves Statement (MIRS)	This shows the movements in reserves during the year, analysed into the different funds held by the Council and classified as either 'usable' reserves which can be used to fund future expenditure or 'unusable' reserves which are maintained to meet specific statutory responsibilities and adjustments (e.g. valuation reserves showing the change in book value of assets and liabilities).
Cash Flow Statement	This financial statement shows how changes in balance sheet accounts and income affect cash and cash equivalents. It breaks the analysis down to operating activities, investing activities (including capital spend and disposals) and financing activities (such as repayment of borrowing and other long-term activities).
<b>Supplementary Statements</b>	and Notes:
Collection Fund	This account demonstrates how income raised from local taxpayers has been redistributed to the Council and other precepting authorities for the provision of services.
Statement of Accounting Policies	Sets out the accounting policies that have been followed in preparing the accounts and how the Code requirements have been met in practice.
Disclosure Notes	These provide more detail about individual transactions and balances.

#### **ANNUAL GOVERNANCE STATEMENT**

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

The AGS will be reported to and approved by the Audit Committee on the 23 July 2024. This can then be found on the Council's website.

#### **CONCLUSION**

The formal audit of the Draft Statement of Accounts will commence as soon as is practicably possible and in line with our statutory duty the accounts will be made available for scrutiny by interested members of the public from 3 June to 1 August 2024.

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

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

- a) Any person interested may inspect and make copies of the accounts to be audited.
- b) A local government elector for the area may question the auditor about the accounts and object to any items of unlawful expenditure, loss due to wilful default, failure to bring a sum of income into account, or any other matter of public interest. Persons wishing to question the auditor should do so by prior arrangements by contacting 020 7728 3180.
- c) If any elector intends to object they must give the auditor prior written notice of any objection and its grounds and send a copy of the notice to the City Council.

The Council's Service Director for Finance (Section 151 Officer) is required to sign the final accounts by a statutory deadline of 31 May 2024 or to issue a public notice stating why this has not been possible.

Further information is available:

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

#### **David Northey**

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

Dated: XXXX

#### STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

#### The Council is required to:

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

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

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

In preparing this Statement of Accounts, the Service Director for Finance has:

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

The Service Director for Finance has also:

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

In signing these accounts, the Service Director for Finance confirms that these statements give a 'true and fair' view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year ended 31 March 2024.

#### **David Northey**

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

Dated: XXXX

OFFICIAL PLYMOUTH CITY COUNCIL

#### **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2024**

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

2022/23 Gross Expenditure	2022/23 Gross Income	2022/23 Net Expenditure		Note	2023/24 Gross Expenditure	2023/24 Gross Income	2023/24 Net Expenditure
£000	£000	£000			£000	£000	£000
7,061	(508)	6,553	Executive Office		7,080	(599)	6,481
9,113	(41,334)	(32,221)	Corporate Items		7,161	(44,934)	(37,773)
106,702	(66,524)	40,178	Customer and Corporate Services		108,088	(64,634)	43,454
326,543	(148,506)	178,037	People Directorate		354,470	(170,881)	183,589
21,885	(22,360)	(475)	Public Health		31,093	(25,775)	5,318
115,452	(50,652)	64,800	Place Directorate		86,717	(54,978)	31,739
586,756	(329,884)	256,872	(Surplus)/Deficit on Continuing Operations		594,609	(361,801)	232,808
11,857	(2,593)	9,264	Other Operating Expenditure	- 11	19,064	(1,367)	17,697
56,121	(39,785)	16,336	Financing and Investment Income and Expenditure	13	57,829	(33,266)	24,563
0	(241,867)	(241,867)	Taxation and Non-Specific Grant Income	14	0	(295,379)	(295,379)
654,734	(614,129)	40,605	(Surplus)/Deficit on Provision of Services		671,502	(691,813)	(20,311)
		(26,756)	(Surplus)/deficit on Revaluation of Non-Current Assets	22.1			(35,505)
		(356,018)	Re-measurement of the Net Defined Benefit Liability (Assets)	22.4			43,272
		(2,703)	Other recognised (gains)/losses				(56)
		(385,477)	Other Comprehensive Income and Expenditure				7,711
		(344,872)	Total Comprehensive Income and Expenditure				(12,600)

2023/24 STATEMENT OF ACCOUNTS 27

OFFICIAL PLYMOUTH CITY COUNCIL

#### **MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2024**

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

	- /	0	,						
Movement in Reserves Statement	Note	General Fund Balance	Earmarked General Fund	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2022		(60,138)	95,808	35,670	16,982	15,129	67,781	50,616	118,397
Movement in Reserves 2022/23									
Total comprehensive income and expenditure		(40,605)	0	(40,605)	0	0	(40,605)	385,477	344,872
Adjustments between accounting basis and funding under regulations	10	21,211	0	21,211	225	23,558	44,994	(44,994)	0
Net Increase/(Decrease) Before Transfer to Earmarked Reserves		(19,394)	0	(19,394)	225	23,558	4,389	340,483	344,872
Transfer (to)/from reserves	12	19,394	(19,394)	0	0	0	0	0	0
Net Increase/(Decrease) in 2022/23		0	(19,394)	(19,394)	225	23,558	4,389	340,483	344,872
Balance at 31 March 2023		(60,138)	76,414	16,276	17,207	38,687	72,170	391,099	463,269
Movement in Reserves 2023/24									
Total comprehensive income and expenditure		20,311	0	20,311	0	0	20,311	(7,711)	12,600
Adjustments between accounting basis and funding under regulations	10	(16,256)	0	(16,256)	(2,868)	1,168	(17,956)	17,956	0
Net Increase/(Decrease) Before Transfer to Earmarked Reserves		4,055	0	4,055	(2,868)	1,168	2,355	10,245	12,600
Transfer (to)/from reserves	12	(4,055)	4,055	0	0	0	0	0	0
Net Increase/(Decrease) in 2023/24		0	4,055	4,055	(2,868)	1,168	2,355	10,245	12,600
Balance at 31 March 2024		(60,138)	80,469	20,331	14,339	39,855	74,525	401,345	475,870

2023/24 STATEMENT OF ACCOUNTS 28

#### **BALANCE SHEET**

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

31 March 2023		Note	31 March 2024
£000			£000
1,018,586	Property, Plant and Equipment	15	1,072,298
46,459	Heritage Assets	16	51,236
238,435	Investment Properties	17	223,724
80,179	Long-Term Investments	18.1	81,333
9,612	Long-Term Debtors	19.2	10,249
1,393,271	Non-Current Assets		1,438,840
597	Inventories		970
65,734	Short-Term Debtors	19.1	109,380
30,182	Cash and Cash Equivalents	23.4	26,998
330	Assets Held for Sale		2,803
96,843	Currents Assets		140,151
(120,727)	Short-Term Borrowing	18.1	(170,954)
(124,103)	Short-Term Creditors	20.1	(115,396)
(7,593)	Short-Term Provisions	21	(6,626)
(9,793)	Grants Received in Advance - Revenue	29.2	(9,830)
(132,405)	Grants Received in Advance - Capital	29.3	(92,100)
(394,621)	Current Liabilities		(394,906)
(10,178)	Long-Term Creditors	20.2	(9,376)
(9,684)	Long-Term Provisions	21	(9,388)
(444,223)	Long-Term Borrowing	18.1	(493,106)
(27,465)	Long-Term Liabilities Pensions	34.3 & 34.9	(64,372)
(108,550)	Other Long-Term Liabilities	20.3	(103,561)
(32,124)	Grants Received in Advance - Capital	29.3	(28,412)
(632,224)	Long-Term Liabilities		(708,215)
463,269	Net Assets		475,870
72,170	Usable Reserves		74,525
391,099	Unusable Reserves	22	401,345
463,269	Total Reserves		475,870

#### **CASH FLOW STATEMENT**

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

2022/23		Note	2023/24
£000			£000
(40,605)	Net Surplus/(Deficit) on the Provision of Service	23.1	20,311
111,350	Adjustment to the Net Surplus/(Deficit) on the Provision of Service for non-cash movements	23.1	(24,619)
(39,301)	Adjustments for items included in the Net Surplus/(Deficit) on the Provision of Service that are investing and financing activities	23.1	(81,401)
31,444	Net Cash Flows from Operating Activities		(85,709)
(55,269)	Investing activities	23.2	(31,812)
13,780	Financing activities	23.3	114,337
(10,045)	Net Increase/(Decrease)in Cash and Cash Equivalents		(3,184)
40,227	Cash and cash equivalents at the beginning of the reporting period	23.4	30,182
30,182	Cash and Cash Equivalents at the End of the Reporting Period		26,998

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#### I Accounting Policies

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

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year ended 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 (as amended), which require the accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (The Code), supported by International Financial Reporting Standards (IFRS).

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

These Accounts have been prepared on a going concern basis and it has been assumed that the functions of the Council will continue in operational existence for the foreseeable future. The Code requires that local authorities prepare their accounts on a going concern basis as they can only be discontinued under statutory prescription and there is no notice from Government to that effect.

#### 1.2 Accruals of Income and Expenditure

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

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

#### 1.3 Cash and Cash Equivalents

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

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

# 1.4 Exceptional Items

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

# 1.5 Benefit Payments

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

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

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

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

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

# 1.7 Charges to Revenue for Non-Current Assets

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

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

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

#### 1.8 Council Tax and Non-Domestic Rates

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

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

# **Accounting for Council Tax and NDR**

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

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

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

# 1.9 Employee Benefits

# **Benefits Payable during Employment**

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

#### **Termination Benefits**

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

# **Post-Employment Benefits (Pensions)**

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

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

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

## **Teachers' Pension Scheme**

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

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

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

#### The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.9%.

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

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

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not

the amount calculated according to the relevant accounting standards. In the MIRS this means that there are appropriations to and from the Pensions Reserve to remove notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

# **Discretionary Benefits**

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

#### 1.10 Events After the Balance Sheet Date

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

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

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

#### **I.II** Financial Instruments

## **Financial Liabilities**

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

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

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

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the general fund balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement.

#### **Financial Assets**

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

- amortised cost:
- fair value through profit or loss (FVPL), and;

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

## **Financial Assets Measured at Amortised Cost**

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

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

# **Expected Credit Loss Model**

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

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

## Financial Assets Measured at Fair Value through Profit and Loss

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

#### Fair Value Measurement of Financial Assets

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

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

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

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

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

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

#### **Financial Derivatives**

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

# 1.12 Revenue Recognition

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

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

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

#### 1.13 Government Grants and Contributions

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

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

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

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

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

#### 1.14 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and

resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

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

# 1.15 Interests in Companies and Other Entities

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

# 1.16 Investment Properties

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

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

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

## 1.17 Heritage Assets

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

The Council classifies its Heritage Assets into five main categories – historic buildings and monuments, fine art and world cultures collections, gold, silver and jewellery, special books and natural history, decorative art and other miscellany collections which are being formally recognised on the balance Sheet on the basis of their insurance valuation.

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

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

The Council's collections are accounted for as follows:

# Historic Buildings and Monuments

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

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

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

#### Fine Art and World Cultures Collection

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

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

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

# Gold, Silver and Jewellery Collection

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

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

# Special Books Collection

The Libraries Service maintains a collection of special books including The Ptolemy Atlas, Naval Collection and Moxon Collection.

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

# Natural History, Decorative Art and other Miscellany Collections

This collection is made up of a wide range of Archaeological, social & maritime, imagery and natural history collections.

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

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

The carrying amount of Heritage Assets are reviewed on a regular basis to assess whether there has been any evidence of impairment caused by physical deterioration or breakage, or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairments – see note 1.20 in this summary of significant accounting policies. If there is any occasion where a Heritage Asset is disposed of, the proceeds of such items are accounted for in accordance with the Council's general provisions for the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the Notes to the Financial Statements (see note 15.4) and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts – see note 1.20 in this summary of significant accounting policies.

#### 1.18 Assets Held for Sale

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

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

#### 1.19 Leases

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

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

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

# The Council as the Lessee (Leased in Assets)

#### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. Lease payments are apportioned between:

 a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and  a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

# **Operating Leases**

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

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

# The Council as the Lessor (Assets Leased Out)

## **Operating Leases**

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

#### **IFRS 16 Leases**

CIPFA/LASAAC have deferred implementation of IFRS16 for Local Government to 1 April 2024. IFRS 16 will impact the way in which the council reports operating leases. Under IFRS 16 the Council will be required to recognise a right of use asset and a lease liability on the Balance Sheet (subject to certain exemptions); currently the Council includes these costs as operating lease payments in the CIES.

Under IFRS 16 a lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time. A contract can be (or contain) a lease only if the underlying asset is 'identified'. Having the right to control the use of an identified asset means having the right to direct, and obtain all of the economic benefits from, the use of that asset. These rights must be in place for a period of time and/or a specified amount of use.

Types of assets that may be suitable for leasing include the following:

- Transport (vehicles and cars);
- Equipment;
- Property;
- Land;
- Technology (including computers, telephony and other communications equipment);
- Plant,
- Furniture, Fixtures and Fittings,
- Leisure Equipment; and

Managed Service Contracts (embedded leases)

Under IFRS16 there are two types of leases; non-residual based, and residual based.

Non-residual based: there is no assumed residual value, repayments cover all the principal with interest, there are no return conditions and there is an entitlement to any sales proceeds.

Residual based: there is an assumed residual value, repayments are the principle with interest (exclude the residual value amount), there are return conditions and there is no entitlement to sales proceeds.

# **Recognition Exemptions**

There are two specific exemptions for lessees from applying the detailed accounting requirements to transactions that would meet the definition of a lease:

### Short-term leases

Leases that have a lease term of 12 months or less at the commencement date. Any lease that contains a purchase option is automatically excluded from the definition. Contracts that might meet the criteria as short-term include property tenancies with notice periods of less than 12 months, hire agreements for vehicles, plant and equipment.

Leases where the underlying asset is of low value.

The Code allows authorities to elect not to apply the lease accounting provisions to leases where the underlying asset is of low value, even if the impact of doing so would be material. Leases that have an annual value of less than £10k are deemed to be low value.

# 1.20 Property, Plant and Equipment

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

## Recognition

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

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

#### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure and community assets depreciated historical cost;
- assets under construction historical cost;
- surplus assets fair value;

- the Tamar Toll Bridge depreciated replacement cost;
- all other assets current value in their existing use.

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

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

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

#### **Impairment**

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

# **Depreciation**

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

# Operational Buildings:

Car parks 5 to 50 years
Schools 5 to 50 years
Other buildings 5 to 60 years
Tamar Bridge 120 years
Infrastructure 20 to 40 years

Vehicles and Plant 5 to 25 years

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

## Componentisation

The Council's componentisation policy is as follows:

# Materiality Level

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

## Significance

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

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

#### Different Asset Life

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

# Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued at year-end before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previously recognised losses in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and revalued at year-end. Any subsequent move in value up or down will be treated in the same way as any other asset revaluation.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

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

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

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

# **Highways Infrastructure Assets**

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

## Recognition

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

#### Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. Plymouth City Council was incorporated as a unitary authority on the I April 1998 and the highways infrastructure assets was transferred from Devon County Council and

recognised in the Balance Sheet at nil value. This means that the current highways infrastructure asset value only represents capital expenditure that has incurred since that time. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

## Depreciation

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

## Disposals and Derecognition

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

## 1.21 Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

- fair value of the services received during the year;
- finance costs an interest charge on the outstanding Balance Sheet liability;
- contingent rent increases in the amount to be paid for the property arising during the contract;
- payment towards finance liability applied to write down the Balance Sheet liability towards the PFI operator;
- lifecycle costs costs to maintain assets used to operationally acceptable standard.

#### **Schools PFI Credits**

The Council receives a grant towards the cost of the PFI scheme. The grant is allocated to meet the finance costs in the first instance. The amount required to meet the finance lease liability, interest and

contingent rent charge is allocated to the Taxation and Non-Specific grant income in the CIES. The remaining grant is treated as a specific grant and included within the Children's and Education service line.

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

# South West Devon Energy from Waste (EfW) PFI

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

# 1.22 Provisions, Contingent Liabilities and Contingent Assets

#### **Provisions**

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

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

Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

## **Contingent Liabilities**

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in note 35.2.

#### **Contingent Assets**

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts, note 35.1, where it is probable that there will be an inflow of economic benefits or service potential.

# 1.23 Reserves

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

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS so that there is no net charge against Council Tax for the expenditure.

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

# 1.24 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

# 1.25 Accounting for Schools

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

- community; and
- voluntary controlled.

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

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

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

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

## I.26 Value Added Tax

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

#### 1.27 Fair Value Measurement of Non-Financial Assets

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

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

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

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

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

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

# Level I - Quoted Prices (Unadjusted)

There is no active market for assets that the council can access at the measurement date, therefore, there will not be any non-financial assets valued in this way.

# **Level 2 – Significant Observable Inputs**

The Current Value (Fair Value) for the surplus and investment property portfolio has been based on the market approach using comparable evidence from recent property transactions in the Plymouth area and by analysing other relevant information. Market Conditions are such that similar properties are actively purchased and sold with the level of observable inputs significant. This has led to the properties being categorised at Level 2 in the fair value hierarchy.

In relation to the housing sites, each of the housing sites have been marketed on the open market by Plymouth City Council, with offers received subject to various conditions (including but not limited to planning or category of those specifications). These offers have been adjusted accordingly to reflect the individual conditions.

# Level 3 - Significant Unobservable Inputs

Assets categorised at Level 3 in the fair value hierarchy have been assessed where there is a significant level of unobservable inputs. Where there is no reasonably available market evidence available in the Plymouth area to determine the Current Value (Fair Value) the Valuer will use considered assumptions such as the potential yields, rental growth and occupancy levels.

## **Highest and Best Use**

In estimating the fair value of the Council's surplus and investment properties, the highest and best use of the properties is their current use.

## **Valuation Techniques**

There has been no change in the valuation techniques used during the year for surplus and investment properties.

# **1.28 Rounding Convention**

Unless otherwise stated the convention used in these Financial Statements is to round amounts to the nearest thousand pounds. All totals are the rounded additions of unrounded figures, and therefore may, from time-to-time, not be the strict sums of the figures presented in the text or tables.

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# 2 Material Items of Income and Expenditure

This note identifies material items of income and expenditure that are not disclosed on the face of the Comprehensive Income and Expenditure Statement. The Council has no material items which need to be disclosed.

The Council took the decision to make an early payment of £72m towards the Devon LGPS pension deficit. This was made to generate ongoing revenue savings over 21 years. In the draft accounts this transaction was treated as capital. However, following extensive third party legal and accounting advice and discussion with our auditors, we have now accounted for the transaction as a revenue transaction. The revenue treatment of this transaction means that the Council's income for 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24 was insufficient to meet its expenditure. Due to this change in accounting treatment it has been necessary for the Council to request a retrospective Capitalisation Direction from Government.

# 3 Critical Judgements in Applying Accounting Policies

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

# Tamar Bridge Valuation - Departure from the Code of Practice

The Tamar Bridge is a toll bridge that is jointly owned by Cornwall Council and Plymouth City Council. The Code of Practice on Local Authority Accounting requires infrastructure assets to be accounted for using depreciated historic cost, however both Councils use depreciated replacement cost (DRC) to value the asset. This is because the Tamar Bridge is an income generating asset and the income generated is used to maintain its upkeep. It is therefore treated as a separate class of asset and the reader of the Council's accounts might reasonably expect there to be a relationship between the income raised in tolls and the cost of maintaining and ultimately replacing the bridge. The current DRC value of the bridge is £83.084m, if the bridge was valued at its depreciated historic cost in line with other infrastructure assets the value would be £27.337m, so would therefore be misleading to use historic cost as a basis for valuation.

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

## **Pension Asset Ceiling**

In calculating the net pensions asset, the Council has made a judgement that the statutory framework for setting employer's contributions under the Local Government Pension Scheme constitutes a minimum funding requirement. As a result, the Council's ability to realise the full economic benefits of the net pensions asset calculated under the Accounting Code's provisions for post-employment benefits through reductions in future employer's contributions is limited. An asset ceiling therefore applies. The fact that the Council has a right under the current funding strategy for the Scheme to recover a smaller surplus of £89.873m means that the asset ceiling has reduced what would otherwise be the net pensions asset of £65.662m to a liability of £64.262m.

The practical effect of this is to move the basis of measurement for the net pensions asset/liability closer to the assumptions made in the triennial valuation of the Scheme under which the employer's contributions were set by the Scheme's actuaries. It does not indicate that the Council has paid excess amounts into the Scheme that it will never be able to recover.

## 4 Accounting Standards that have been Issued but Not Yet Adopted

Where a new standard has been published but has not yet been adopted by the Code, the Council is required to disclose information relating to the impact of these accounting changes. This requirement

applies to International Financial Reporting Standards (IFRS) that have not been applied in the 2023/24 Code and that came into effect on or before I January 2024.

For the 2024/25 financial year, the Council must implement IFRS 16 Leases, applying the provisions as they have been adopted in the 2024/25 Accounting Code.

The main impact of IFRS 16 will relate to property that the Council holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable. Under IFRS 16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, measuring the value of the Council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires.

When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements are in place that will allow the impact on the General Fund Balance to be unchanged – i.e. that the overall charge for each year will be the rents payable in that year.

Based on the minimum lease payments outstanding at 31 March 2024 disclosed in note  $\underline{32}$ , it is estimated that the transition will result in the recognition of new assets and liabilities in the Balance Sheet.

Apart from IFRS16 there are no changes in accounting requirements for 2024/25 that are anticipated to have a material impact on the Council's financial performance or financial position.

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

In preparing the Statement of Accounts, there are areas where estimates have been made. Estimates are made taking into account historical experience, current trends and other relevant factors. These include the amount of arrears that will not be collected (based on past experience of collection for the different types of debt); useful lives and valuations of properties which are estimated by qualified valuers (for further details see note 1.20); and the liability for future pension payments, which carries the most significant risk of material adjustment.

ltem	Uncertainties	Consequences (if actual results differ from assumptions)
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the balance sheet and the cost shown in the CIES.
Liability	Barnett Waddingham are the consultant actuaries for the pension scheme providing expert advice about the assumptions to be applied. Those assumptions are detailed in note 34 to the accounts. The carrying value of this long-term liability at the end of the reporting period was £64.372m.	The changes do not have an impact on the Council's General Fund position as the Council is not required to fund such noncash charges from council tax receipts.

# 6 Events After the Balance Sheet Reporting Period

The Council's Section 151 Officer authorised the Statement of Accounts on 31 May 2024. Events taking place after this date are not reflected in the financial statements. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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# 7 Expenditure and Funding Analysis

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

2022/23 Directorate Total Reported for Outturn	2022/23 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances	2022/23 Net Expenditure Chargeable to the General Fund Balances	2022/23 Adjustments Between the Funding and Accounting Basis	2022/23 Net Expenditure to the CIES		2023/24 Directorate Total Reported for Outturn	2023/24 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances	2023/24 Net Expenditure Chargeable to the General Fund Balances	2023/24 Adjustments Between the Funding and Accounting Basis	2023/24 Net Expenditure to the CIES
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
5,732	0	5,732	821	6,553	Executive Office	6,739	0	6,739	(258)	6,481
(46,013)	5,376	(40,637)	8,416	(32,221)	Corporate Items	(48,298)	11,801	(36,497)	(1,276)	(37,773)
48,769	(10,961)	37,808	2,370	40,178	Customer and Corporate Services	53,682	(13,974)	39,708	3,746	43,454
163,232	0	163,232	14,805	178,037	People Directorate	174,640	(1)	174,639	8,950	183,589
(545)	2	(543)	68	(475)	Public Health	2,802	0	2,802	2,516	5,318
26,575	(52)	26,523	38,277	64,800	Place Directorate	28,875	(593)	28,282	3,457	31,739
197,750	(5,635)	192,115	64,757	256,872	Net Cost of Service	218,440	(2,767)	215,673	17,135	232,808
		(172,721)	(43,546)	(216,267)	Other Income and Expenditure			(219,728)	(33,391)	(253,119)
		19,394	21,211	40,605	(Surplus)/Deficit on Provision of Service			(4,055)	(16,256)	(20,311)
		(35,670)			Opening General Fund and Earmarked Balance at 31 March			(16,276)		
		19,394			(Surplus)/Deficit on General Fund and Earmarked Balance in Year			(4,055)		
		(16,276)			Closing General Fund Balance at 31 March			(20,331)		

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# 8 Note to the Expenditure and Funding Analysis

Adjustments between funding and accounting basis:

Adjustments from General Fund to Arrive at the CIES Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
2023/24	£000	£000	£000	£000
Executive Office	36	(290)	(4)	(258)
Corporate Items	599	944	(2,819)	(1,276)
Customer and Corporate Services	7,005	(1,071)	(2,188)	3,746
People Directorate	7,167	(2,981)	4,764	8,950
Public Health	4,144	(268)	(1,360)	2,516
Place Directorate	14,142	(2,030)	(8,655)	3,457
Net Cost of Service	33,093	(5,696)	(10,262)	17,135
Other Income and Expenditure from the Expenditure and Funding Analysis	49,101	(1,520)	(80,972)	(33,391)
Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service	82,194	(7,216)	(91,234)	(16,256)

Adjustments from General Fund to Arrive at the CIES Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
2022/23	£000	£000	£000	£000
Executive Office	29	265	527	821
Corporate Items	346	28	8,042	8,416
Customer and Corporate Services	4,308	1,298	(3,236)	2,370
People Directorate	8,729	3,372	2,704	14,805
Public Health	269	274	(475)	68
Place Directorate	42,030	2,533	(6,286)	38,277
Net Cost of Service	55,711	7,770	1,276	64,757
Other Income and Expenditure from the Expenditure and Funding Analysis  Difference Between General Fund Surplus or Deficit and CIES Surplus	37,669	2,432	(83,647)	(43,546)
or Deficit on the Provision of Service	93,380	10,202	(82,371)	21,211

# **Adjustment for Capital Purposes**

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

- Other Operating Expenditure adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and Investment Income and Expenditure the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are

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

# **Net Charge for the Pension Adjustments**

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

- Services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs
- Financing and Investment Income and Expenditure the net interest on the defined benefit liability is charged to the CIES.

#### **Other Differences**

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statue:

- Financing and Investment Income and Expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- Taxation and Non-Specific Grant Income and Expenditure the charge represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

# 9 Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

Expenditure/Income	2022/23	2023/24
	£000	£000
Expenditure:		
Employee benefits expenses	142,074	128,320
Other service expenses	419,574	475,503
Depreciation, amortisation, impairment	74,155	44,181
Interest payments	18,931	23,498
Total Expenditure	654,734	671,502
Income:		
Fees, charges and other service income	(134,751)	(137,772)
Interest and investment income	(16,236)	(6,204)
Income from council tax, non-domestic rates, district rate income	(183,403)	(192,523)
Government grants and contributions	(279,739)	(355,314)
Total Income	(614,129)	(691,813)
Surplus or Deficit on the Provision of Service	40,605	(20,311)

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# 10 Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

		2022/23				2023/24			
Adjustments Between Accounting Basis and Funding Basis Under Regulations		Capital Receipt s Reserve	Capital Grants Unapplie d	Movemen t in Unusable Reserves	Genera I Fund Balance	Capital Receipt s Reserve	Capital Grants Unapplie d	Movemen t in Unusable Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	
Adjustments involving the Capital Adjustment Account:									
Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement:									
Charges for depreciation and impairment of non-current assets	(39,697)	0	0	39,697	(44,754)	0	0	44,754	
Revaluation losses on Property, Plant and Equipment	(13,965)	0	0	13,965	18,802	0	0	(18,802)	
Movements in the market value of Investment Properties	(15,198)	0	0	15,198	(12,946)	0	0	12,946	
Amortisation of intangible assets	(2)	0	0	2	0	0	0	0	
Capital grants and contributions	36,708	0	(36,708)	0	80,212	0	(80,212)	0	
Revenue expenditure funded from capital under statute	(12,479)	0	0	12,479	(23,193)	0	0	23,193	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(11,179)	(3)	0	11,182	(20,320)	(1,196)	0	21,516	
Deferred credit Energy from Waste	2,324	0	0	(2,324)	2,324	0	0	(2,324)	
Insertion of Items not Debited or Credited to the Comprehensive Income and Expenditure Statement:									
Statutory provision for the financing of capital investment	17,995	542	0	(18,537)	18,425	757	0	(19,182)	
Capital expenditure charged against the General Fund	704	0	0	(704)	273	0	0	(273)	
Adjustments involving the Capital Receipts Reserve:									
Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement	2,590	(2,593)	0	3	196	(196)	0	0	
Total C/FWD	(32,199	(2,054)	(36,708)	70,961	19,019	(635)	(80,212)	61,828	

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		202	2/23			202	2023/24			
Adjustments Between Accounting Basis and Funding Basis Under Regulations	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves		
	£000	£000	£000	£000	£000	£000	£000	£000		
Total B/FWD	(32,199)	(2,054)	(36,708)	70,961	19,019	(635)	(80,212)	61,828		
Long term debtor repayments in year	0	(814)	0	814	0	(2,845)	0	2,845		
Use of the Capital Receipts Reserve to finance new capital expenditure	0	2,643	0	(2,643)	0	6,348	0	(6,348)		
Adjustments Involving the Capital Grants Unapplied Account:										
Use of the Capital Grants unapplied Account to finance new capital expenditure	0	0	13,150	(13,150)	0	0	79,044	(79,044)		
Adjustments Involving the Financial Instruments Adjustment Account:										
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	617	0	0	(617)	620	0	0	(620)		
Adjustments Involving the Pooled Investments Fund Adjustment Account										
Amount by which Financial Instruments charged to the Comprehensive Income and Expenditure Statement are different from amounts chargeable in the year in accordance of statutory requirements	(5,725)	0	0	5,725	(652)	0	0	652		
Adjustments Involving the Pensions Reserve:										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(25,970)	0	0	25,970	(11,751)	0	0	11,751		
Employer's pensions contributions and direct payments to pensioners payable in the year	15,838	0	0	(15,838)	18,968	0	0	(18,968)		
Adjustments Involving the Collection Fund Adjustment Account:										
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	26,487	0	0	(26,487)	(5,606)	0	0	5,606		
Adjustment involving the Dedicated Schools Grant Adjustment Account:										
Transfer of deficit on the Dedicated Schools Grant to the Dedicated Schools Grant Adjustment Account	0	0	0	0	(4,253)	0	0	4,253		
Adjustment Involving the Accumulating Compensated Absences Adjustment Account										
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(259)	0	0	259	(89)	0	0	89		
Total Adjustments	(21,211)	(225)	(23,558)	44,994	16,256	2,868	(1,168)	(17,956)		

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# **General Fund Balances**

The General Fund is the statutory fund into which all the receipts of an Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

# **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

# **Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

# **II Other Operating Expenditure**

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

Other Operating Expenditure	2022/23	2023/24
	£000	£000
Levies	119	121
Gains/losses on the disposal of non-current assets	10,388	18,186
Pension administration costs	556	571
Other income *	(1,799)	(1,181)
Total	9,264	17,697

<sup>\*</sup> Other income generally relates to capital receipts in year for which no asset can be identified on the Balance Sheet, such as repaid discounts from former Council House sales and income received under the stock transfer agreement relating to VAT shelter receipts.

# 12 Movement in Earmarked Reserves

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

2023/24	Balance as at 31 March 2023 Transfers to Reserves 2023/24		Transfers from Reserves 2023/24	Balance as at 31 March 2024
	£000	£000	£000	£000
Education Reserves	(3,667)	(3,149)	3,662	(3,154)
Other Ringfenced	(3,627)	(801)	0	(4,428)
Other Reserves	(6,061)	(1,628)	1,801	(5,888)
PCC Earmarked Reserves:				
Integrated Finance Reserve	(18,205)	(172)	2,004	(16,373)
Collection Fund Reserve	(792)	(414)	69	(1,137)
Other PCC Earmarked Reserves	(44,062)	(6,520)	1,093	(49,489)
Total Reserves	(76,414)	(12,684)	8,629	(80,469)

2022/23	Balance as at 31 March 2022	Transfers to Reserves 2022/23	Transfers from Reserves 2022/23	Balance as at 31 March 2023
	£000	£000	£000	£000
Education Reserves	(3,121)	(3,914)	3,368	(3,667)
Other Ringfenced	(4,117)	(2,116)	2,606	(3,627)
Other Reserves	(6,486)	(1,598)	2,023	(6,061)
PCC Earmarked Reserves:				
Integrated Finance Reserve	(22,199)	(1,375)	5,369	(18,205)
Collection Fund Reserve	(21,558)	0	20,766	(792)
Other PCC Earmarked Reserves	(38,327)	(25,465)	19,730	(44,062)
Total Reserves	(95,808)	(34,468)	53,862	(76,414)

The main earmarked reserves and their purpose are as follows:

# **Education/Schools Reserves**

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

**School Budget Share** – Represents unspent balances at the year-end against schools' delegated budgets. The 31 March 2024 balance relating to the School budget share was £3.149m (31 March 2023: £3.662m).

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

**Collection Fund Reserve** – The Collection Fund Reserve holds balances to 'smooth' the impact and movement of grant funding for Business Rates and Council Tax across multiple financial years.

Interest Rate Swap Reserve – The Interest Rate Swap Reserve holds gains from fair value movements in interest rate swaps. These gains will reverse over time as the swaps near maturity and are therefore not used to finance revenue expenditure.

# 13 Financing and Investment Income and Expenditure

This contains corporate items of income and expenditure arising from the Council's involvement in financial instruments and similar transactions involving interest or the unwinding of discounts. This heading also includes the income and expenditure relating to investment properties, further details of which can be found in note 17.1.

Analysis of Income/Expenditure	2022/23	2023/24
	£000	£000
Interest payable and similar charges	18,972	23,477
Fair value for Financial Instruments	(9,306)	(921)
Pensions interest cost and expected return on pension assets	1,810	(2,029)
Interest receivable and similar income	(4,053)	(5,118)
Gains/losses on disposal of Maintained Schools	0	3,059
(Surplus)/deficit on trading undertakings not included in Net Cost of Service	452	332
Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal	8,461	5,763
Total	16,336	24,563

# 14 Taxation and Non-Specific Grant Income and Expenditure

Analysis of Income	2022/23	2023/24
	£000	£000
Council tax income	(125,587)	(131,562)
Non domestic rates	(57,816)	(60,961)
Non-ringfenced government grants	(29,778)	(36,588)
Capital grants and contributions	(28,686)	(66,268)
Total	(241,867)	(295,379)

# 15 Property, Plant and Equipment

# 15.1 Movement in Year

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The Council continues to maintain that information and does not consider that the non-disclosure will be detrimentally impact on the readers of the Council's accounts and their understanding of the Council's financial position. The Council's reported position of its assets in the Balance Sheet remains unchanged.

Property, Plant and Equipment Assets	2022/23	2023/24
	£000	£000
Infrastructure Assets	242,352	243,051
Other Property, Plant and Equipment Assets	776,234	829,247
Total Property, Plant and Equipment Assets	1,018,586	1,072,298

Infrastructure Assets	2022/23	2023/24
	£000	£000
Opening Net Book Value	172,563	242,352
Additions	32,649	12,486
Reclassifications	50,886	6,360
Depreciation	(13,746)	(17,831)
Disposals and Decommissioning	0	(316)
Balance as at 31 March	242,352	243,051

The movement in Property, Plant and Equipment (PPE) in 2023/24 is summarised in the following table:

The movement in Property, Plant	and Equip	oment (Pl	<sup>2</sup> E) in 202	23/2 <del>4</del> is s	ummaris	ed in the	tollowing	table:
2023/24	Other Land & Buildings	Vehicles, Plant, Furniture & Fittings	Toll Bridge	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost of Valuation								
At I April 2023	638,462	83,915	62,058	3,605	10,044	50,391	848,475	128,935
Additions	10,015	6,276	17	0	27	42,308	58,643	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,758	0	0	0	531	0	10,289	(3,000)
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(3,598)	0	21,009	0	(60)	0	17,351	0
Derecognition - disposals	(17,696)	(18,375)	0	0	(84)	0	(36,155)	0
Other movements in cost or valuation	(1,593)	973	0	0	103	(9,982)	(10,499)	0
At 31 March 2024	635,348	72,789	83,084	3,605	10,561	82,717	888,104	125,935
Accumulated Depreciation and Impairment								
At I April 2023	(12,592)	(57,722)	(585)	(1,302)	(40)	0	(72,241)	(499)
Depreciation charge	(20,694)	(5,522)	(741)	0	(29)	0	(26,986)	(5,988)
Depreciation written out to the Revaluation Reserve	20,313	0	0	0	69	0	20,382	5,956
Depreciation written out to the surplus/deficit on the Provision of Services	262	0	1,326	0	0	0	1,588	0
Derecognition - disposals	677	17,723	0	0	0	0	18,400	0
At 31 March 24	(12,034)	(45,521)	0	(1,302)	0	0	(58,857)	(532)
Net Book Value								
At 31 March 2024	623,314	27,268	83,084	2,303	10,561	82,717	829,247	125,403
At 31 March 2023	625,870	26,193	61,473	2,303	10,004	50,391	776,234	128,436

2022/23	Other Land & Buildings	Vehicles, Plant, Furniture & Fittings	Toll Bridge	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost of Valuation								
At I April 2022	632,026	81,810	62,585	3,605	3,820	82,913	866,759	125,616
Prior year adjustment	(10,464)	0	0	0	0	0	(10,464)	0
Additions	8,872	3,665	15	0	6	30,395	42,953	1
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10,462	0	0	0	(356)	0	10,106	3,318
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(12,119)	0	(542)	0	(1,352)	0	(14,013)	0
Derecognition - disposals	(429)	(1,700)	0	0	(131)	0	(2,260)	0
Other movements in cost or valuation	10,114	140	0	0	8,057	(62,917)	(44,606)	0
At 31 March 2023	638,462	83,915	62,058	3,605	10,044	50,391	848,475	128,935
Accumulated Depreciation and Impairment								
At I April 2022	(20,139)	(54,577)	0	(1,302)	(40)	0	(76,058)	(466)
Prior year adjustment	10,464	0	0	0	0	0	10,464	0
Depreciation charge	(20,076)	(5,324)	(585)	0	(40)	0	(26,025)	(5,586)
Depreciation written out to the Revaluation Reserve	16,614	0	0	0	40	0	16,654	5,553
Depreciation written out to the surplus/deficit on the Provision of Services	219	0	0	0	0	0	219	0
Derecognition - disposals	97	1,646	0	0	0	0	1,743	0
Other movements in depreciation and impairment	229	533	0	0	0	0	762	0
At 31 March 2023	(12,592)	(57,722)	(585)	(1,302)	(40)	0	(72,241)	(499)
Net Book Value								
At 31 March 2023	625,870	26,193	61,473	2,303	10,004	50,391	776,234	128,436
At 31 March 2022	611,887	27,233	62,585	2,303	3,780	82,913	790,701	125,150

# **15.2 Commitments Under Capital Contracts**

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2024 amounted to £35.878m (31 March 2023: £50.283m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme. Significant contractual commitments outstanding as at 31 March 2024 were as follows:

Project	Contractor	Amount
		£000
Derriford District Park	ADC Kimerley Ltd	8,700
The Park Crematorium	Kier Construction Ltd	3,030
City Centre Public Realm	Morgan Sindall Group Plc	2,685
Street Scene & Waste Vehicles	Dennis Eagle UK	1,151
Plymouth & South Devon Freeport	Various	6,207
Woolwell to the George	Balfour Beatty Plc/Aecom Ltd	1,129
Accessible Temporary Homes	Bournmouth Churches Housing Association Ltd (BCHA)	2,550
Single People Accommodation	PATH (Plymouth Access to Housing Ltd)	700
Heat Sourcing in Corporate Properties	SunGift Solar Ltd/Vital Energi Utilities	537
Other Contractual Commitments under £500k	Various	9,189
Total		35,878

#### 15.3 Revaluations

The Council revalues a significant proportion of its Property, Plant and Equipment (PPE) on an annual basis and then carries out a rolling programme that ensures that all the remaining property required to be measured at fair value is revalued at least every five years. All valuations are carried out internally under the supervision of A Pope, RICS Registered Valuer, except for the Energy from Waste Plant which is revalued by an external valuer appointed by Devon County Council and the Tamar Bridge and Torpoint Ferry properties which are revalued by an external valuer appointed by Cornwall Council.

Revaluations	Other Land & Buildings	Toll Bridge	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost	0	0	27,268	0	27,268
Valued at Current Value as at:					
31 March 2024	449,826	83,084	0	10,561	543,471
31 March 2023	23,065	0	0	0	23,065
31 March 2022	143,570	0	0	0	143,570
31 March 2021	3,549	0	0	0	3,549
31 March 2020	3,304	0	0	0	3,304
Total Cost of Valuation	623,314	83,084	27,268	10,561	744,227

# 15.4 Gain/Loss on Disposal of Non-Current Assets

Assets Written Off Balance Sheet	2022/23	2023/24
	£000	£000
Land and property sales	(24)	18,186
Academy and trust schools	10,412	3,059
Investment properties	0	80
Total	10,388	21,325

# 15.5 Fair Value Hierarchy for Surplus Assets

Recurring Fair value Measurement Using	Quoted Prices in Active Markets for Identical Assets (Level I)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2023
2023/24	£000	£000	£000	£000
Development & surplus land	0	10,561	0	10,561
Total	0	10,561	0	10,561

Recurring Fair Value Measurements Using	Quoted Prices in Active Markets for Identical Assets (Level I)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2022
2022/23	£000	£000	£000	£000
Development & surplus land	0	10,004	0	10,004
Total	0	10,004	0	10,004

Please refer to Note 1.27 for the policy on Fair Value Measurement of Non-Financial Assets.

#### 16 Heritage Assets

The Council holds the following types of heritage assets:

## **Historic Buildings and Monuments**

Historic buildings and monuments classified as heritage assets on the balance sheet include Smeaton's Tower and various statues and monuments, which have been recognised at insurance valuations.

The Council has a number of other Heritage Assets that are used significantly for the provision of services and therefore are required to be recognised within Property, Plant and Equipment. These include Mount Edgcumbe House and The Box.

## Gold, Silver, Jewellery, Fine Art and World Cultures, Decorative Art and Other Miscellany

The Council's gold, silver, jewellery, fine art and world cultures collections are reported in the balance sheet at insurance valuation, which is based on market values.

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

All heritage assets are recognised at insurance valuations, which are reviewed annually and the value of assets are adjusted accordingly.

In 2023/24 we have added two new classes of heritage asset categories due to the recognition of previously unreported assets as a result of a review of the collection that was undertaken following the remodelling of The Box.

The following table summarises the movement in the balances relating to heritage assets during the year:

Heritage Assets	Buildings	Fine Art & World Cultures	Gold, Silver and Jewellery	ltems Over £100k	Natural History, Decorative Art & Other Miscellany	Special Books Collection	Total Assets
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
As at I April 2022	3,817	17,109	4,732	17,301	0	3,500	46,459
As at 31 March 2023	3,817	17,109	4,732	17,301	0	3,500	46,459
Cost or Valuation							
As at 1 April 2023	3,817	17,109	4,732	17,301	0	3,500	46,459
Revaluations	0	4,777	0	0	0	0	4,777
Reclassification	0	9,474	0	(17,301)	7,827	0	0
As at 31 March 2024	3,817	31,360	4,732	0	7,827	3,500	51,236

# 17 Investment Properties

# 17.1 Income, Expenditure and Changes in Fair Value of Investment Properties

Investment properties are properties held solely to earn rentals or for capital appreciation or both. In the main, the Council's investment properties consist of offices, various ground rents (including retail, offices and industrial), industrial estates (including out of town), development sites, leisure (including restaurants, cafes and hotels) and retail (both in and out of town).

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

Amounts Recognised in the Comprehensive Income and Expenditure Statement	2022/23	2023/24
	£000	£000
Rental income from Investment Property	16,797	18,280
Direct operating expenses arising from Investment Property	(10,061)	(11,017)
Net Gain/(Loss)	6,736	7,263

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

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

Analysis of Movement in Investment Properties	2022/23	2023/24
	£000	£000
Balance at I April	271,065	238,435
Additions	(5)	0
Disposals	0	(80)
Net gains/(losses) from fair value adjustments	(15,198)	(12,946)
Transfers:		
(To)/from Property, Plant and Equipment	(17,427)	(1,685)
Balance at 31 March	238,435	223,724

# 17.2 Fair Value Hierarchy for Investment Properties

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2024 are as follows:

Recurring Fair Value Measurements Using	Quoted Prices in Active Markets for Identical Assets (Level I)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2024
2023/24	£000	£000	£000	£000
Industrial sites	0	62,124	0	62,124
Miscellaneous ground rents	0	5,731	3,935	9,666
Miscellaneous lets	0	21,365	31	21,396
Retail ground rents	0	23,110	0	23,110
Offices	0	6,790	0	6,790
Out of town retail	0	66,412	0	66,412
Out of town businesses	0	33,358	0	33,358
Development and Surplus Land	0	714	116	830
Lodges	0	38	0	38
Total	0	219,642	4,082	223,724

There were no transfers between Levels I and 2 during the year.

Recurring Fair Value Measurements Using	Quoted Prices in Active Markets for Identical Assets (Level I)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2023
2022/23	£000	£000	£000	£000
Industrial sites	0	66,211	0	66,211
Miscellaneous ground rents	0	6,462	3,904	10,366
Miscellaneous lets	0	22,965	35	23,000
Retail ground rents	0	24,916	0	24,916
Offices	0	6,950	0	6,950
Out of town retail	0	69,522	0	69,522
Out of town businesses	0	36,557	0	36,557
Development and surplus land	0	812	50	862
Lodges	0	51	0	51
Total	0	234,446	3,989	238,435

There were no transfers between Levels I and 2 during the year.

Please refer to Note 1.27 for the policy on Fair Value Measurement of Non-Financial Assets.

# 17.3 Reconciliation of Fair Value Measurements (Using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Funding Hierarchy

Investment Properties Categorised within Level 3	31 March 2023	31 March 2024
	£000	£000
Opening Balance	3,992	3,989
Total gains/(losses) for the period included in the surplus or deficit on the provision of services resulting from changes in fair value	(3)	93
Closing Balance	3,989	4,082

Gains or losses arising from changes in the fair value of the investment properties are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

## **Valuation Process for Investment Properties**

The fair value of the authority's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The authority's valuation experts work closely with finance officers regarding all valuation matters.

## 18 Financial Instruments

# 18.1 Financial Instruments - Classifications

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

#### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

The financial assets held by the Council during the year are accounted for under the following three classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
  - cash in hand;
  - bank current and deposit accounts;
  - fixed term deposits and reverse repurchase agreements with banks and building societies;
  - loans to other local authorities;
  - loans to smaller companies and housing associations;
  - certificates of deposit and covered bonds issued by banks and building societies;
  - treasury bills and gilts issued by the UK Government;
  - loans made for service purposes;
  - leases receivables;
  - trade receivables for goods and services provided.
- Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category).
- Fair value through profit and loss (all other financial assets) comprising:
  - interest rate swaps;
  - pooled funds, equity and property funds managed and held as strategic investments;
  - equity investments held for service purposes;
  - money market funds managed by fund managers;
  - loans where the cash flows are not solely payments of principal and interest;
  - structured deposits with banks and building societies.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

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

Financial Assets	Fair	Long-Term		Short-Term		Total	
	Value Level	31 March 23	31 March 24	31 March 23	31 March 24	31 March 23	31 March 24
		£000	£000	£000	£000	£000	£000
At Fair Value Through Profit or Loss:							
Money Market Fund (MMF)	I	0	0	27,620	22,500	27,620	22,500
Pooled funds	ı	53,034	52,382	0	0	53,034	52,382
Interest rate swap	ı	27,072	28,878	0	0	27,072	28,878
Amortised Cost:							
Investments	ı	73	73	0	0	73	73
Cash and Cash equivalents (less MMF)	I	0	0	2,562	4,498	2,562	4,498
Total Investments		80,179	81,333	30,182	26,998	110,361	108,331
Debtors							
Financial Instruments	ı	9,612	10,249	18,227	54,099	27,839	64,348
Non-Financial Instruments	ı	0	0	47,507	55,281	47,507	55,281
Total Financial Assets		89,791	91,582	95,916	136,378	185,707	227,960

The fair value of long-term debtors is assumed to be approximate to the carrying amount.

The fair value of short-term financial assets including receivables is assumed to approximate to the carrying amount. Short-term debtors are split between financial instruments and non-financial instruments depending on whether they are statutory or non-statutory.

#### **Financial Liabilities**

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised of:

- long-term loans from the Public Works Loan Board;
- short-term loans from other local authorities;
- overdraft;
- lease payables;
- Private Finance Initiative;
- trade payables for goods and services received.

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

Figure del Liebiliste	Fair	Fair Long-Term		Short-Term		Total	
Financial Liabilities	Value Level	31 March 23	31 March 24	31 March 23	31 March 24	31 March 23	31 March 24
		£000	£000	£000	£000	£000	£000
Loans at Amortised Cost:							
PWLB	2	(355,532)	(410,532)	(43,324)	(76,299)	(398,856)	(486,831)
Market Loans	2	(82,497)	(82,422)	(1,352)	(1,157)	(83,849)	(83,579)
Other borrowing	2	(6,194)	(152)	(76,051)	(93,498)	(82,245)	(93,650)
Total Borrowing		(444,223)	(493,106)	(120,727)	(170,954)	(564,950)	(664,060)
Liabilities at Amortised Cost:							
Other liabilities	2	(108,550)	(103,561)	(5,808)	(6,252)	(114,358)	(109,813)
Creditors							
Financial Instruments	3	0	0	(62,147)	(61,208)	(62,147)	(61,208)
Non-Financial Instruments	3	(10,178)	(9,376)	(56,148)	(47,936)	(66,326)	(57,312)
Total Financial Liabilities		(562,951)	(606,043)	(244,830)	(286,350)	(807,781)	(892,393)

Short-term creditors are split between financial instruments and non-financial instruments depending on whether they are statutory or non-statutory.

LOBOs (Local Authority Lender's Option Borrower's Option loans) of £10m have been included in Market Loans but have a call date in the next 12 months. A call date means that the lender has the option to change the interest rate for the remaining period of the loan. The Council then has the option to accept the new rate or redeem.

Financial Liabilities Comparison to Fair Values

Financial Liabilities	Balance Sheet 31 March 2023	Fair Value 31 March 2023	Balance Sheet 31 March 2024	Fair Value 31 March 2024
	£000	£000	£000	£000
Loans at Amortised Cost:				
PWLB	398,856	253,837	486,831	345,869
LOBO loans	65,644	76,944	65,380	74,854
Other market loans	18,205	16,812	18,199	16,974
Other long-term loans	6,194	6,194	152	152
Short-term borrowing	76,051	76,051	93,498	93,498
Total Borrowing	564,950	429,838	664,060	531,347
Other Liabilities	114,358	95,794	109,813	93,508
Total Liabilities	679,308	525,632	773,873	624,855

### 18.2 Equity Instruments Designated to Fair Value through Profit or Loss

The Council has investments made through the CCLA and other pooled funds. Under IFRS 9 the Code now requires that pooled funds are measured at Fair Value through Profit or Loss. However, to mitigate the impact of the change there is a statutory override for a period of five years meaning that there is no impact on the Council's General Fund.

# 18.3 Gains and Losses on Financial Instruments

The income, expense, gains and losses recognised in the CIES in relation to financial instruments are made as follows:

Gains & Losses on Financial Instruments		Surplus or Deficit on the Provision of Service		
	2022/23	2023/24		
	£000	£000		
Net Gains/Losses on:				
Financial assets measured at fair value through profit and loss	5,725	652		
Interest rate swaps at fair value through profit and loss *	(15,031)	(1,573)		
Total Net (Gains)/Losses on Financial Instruments	(9,306)	(921)		
Interest Revenue				
Investment income from financial assets measured through profit and loss	(3,673)	(4,475)		
Interest receivable from financial assets measured at amortised costs	(380)	(643)		
Total Interest Revenue	(4,053)	(5,118)		
Total Income	(13,359)	(6,039)		
Interest expense	18,972	23,477		
Total Interest Expense	18,972	23,477		
Net (Gain)/Loss for the Year	5,613	17,438		

<sup>\*</sup> SDPS is cash flows plus accrual; OCI is fair value minus accrual.

#### 18.4 Financial Instruments - Fair Value

The fair value of a financial instrument is the price that would be received when selling an asset, or the price that would be paid when transferring a liability, to another market participant in an arms' length transaction. Where liabilities are held as an asset by another party, such as the council's borrowing, the fair value is estimated from the holder's perspective.

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

The fair values of other instruments have been taken at cost value, as the council believes that cost may provide an appropriate estimate of fair value. Cost represents the best estimate of fair value:

- a) no significant change in the performance of the investee compared with budget;
- b) no significant change in the market for the investee's products, economic environment in which the entity operates;
- c) no change in expected performance in matters such as fraud, commercial disputes, litigation, changes in management or strategy.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost.

- The value of Lender's Option Borrower's Option (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;
- Other loans borrowed by the Council have been valued at cost on the basis of that most of the loans are short term loans and/or borrowed from other public sector organisations;

- Shares in limited company have been valued at cost of the investment;
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield;
- Interest rate swaps have been valued using the market forward interest rate curve;
- No early repayment or impairment is recognised for any financial instrument;
- The fair value of short-term instruments, including trade payables and receivables, is assumed to be approximately the carrying amount given the low interest rate environment and the bad debt provisions already included in the statement of accounts.

Fair values are shown in note 18.1, split by their level in the fair value hierarchy:

- Level I fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices;
- Level 2 fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments;
- Level 3 fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

### 18.5 Nature and Extent of Risks Arising from Financial Instruments

The Council complies with the CIPFA's Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The strategy sets out the parameters for the management of risks associated with Financial Instruments.

Full details of the Council's Treasury Management Strategy can be found on the Council's website.

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

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

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

#### **Credit Risk**

Credit Risk arises from deposits with banks and financial institutions as well as credit exposures to the Council's customers.

Asset Type	Credit Risk Management	Estimation of Impairment Loss
Loans to other authorities	Guaranteed by statute.	No allowance required.

Banks and financial institutions	Deposits are restricted in line with Council's approved Treasury Strategy.	No historic or forecast losses.
Loans	All loans subject to internal risk appraisal, where appropriate guarantees and/or security is obtained in event of default.	No historic or forecast losses.
Other Debtors	Debtors are not subject to internal credit ratings and have been grouped for the purposes of calculating expected losses.	Expected credit losses (impairment) estimated based on age and type of debt.

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap, other contracts and equity prices when selecting commercial entities for investment.

A limit of £25m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in building societies there is a smaller limit of £10m applies. The Council also sets limits on investments in certain sectors.

The following table summarises the credit risk exposures of the Council's treasury management portfolio by credit rating and remaining time to maturity:

Credit Rating	31 Marc	ch 2023	31 March 2024	
	Long-Term	Short-Term	Long-Term	Short-Term
	£000	£000	£000	£000
AAA	0	0	0	0
AA	0	27,620	0	22,500
A+	0	1,125	0	1,295
A	0	0	0	0
A-	0	0	0	0
Unrated	0	0	0	0
Total	0	28,745	0	23,795
Credit risk not applicable *	80,179	1,437	81,333	3,203
Total Investments	80,179	30,182	81,333	26,998

<sup>\*</sup> Credit Risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

The Council's maximum exposure to credit risk in relation to its investments with banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution.

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

The Council does not generally allow credit for customers. After 28 days, recovery procedures are undertaken to recover any outstanding debt. The past due amount can be analysed by age as follows:

Past Due Amounts Analysed by Age	31 March 2023	31 March 2024
	£000	£000
Less than three months	9,958	40,159
Three months to one year	2,862	7,573
More than one year	6,002	7,262
Total	18,822	54,994

The credit risk inherent in interest rate swaps is managed by the selection of highly credit worthy counterparties and by the requirement for the counterparty to post cash collateral when the valuation exceeds agreed thresholds. £28.600m cash collateral was held at 31 March 2024 (31 March 2023: £28.530).

# **Liquidity Risk**

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

It is however exposed to the risk that it will need to refinance a significant proportion of its short-term borrowing at a time of unfavourably high interest rates.

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

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Loans Outstanding	31 March 2023	31 March 2024
	£000	£000
Public Works Loan Board	(398,856)	(486,831)
Market debt	(83,849)	(83,579)
Temporary borrowing	(76,051)	(87,595)
Other borrowing	(6,194)	(6,055)
Deferred liability (PFI)	(92,916)	(88,681)
Deferred liability (finance leases)	(1,355)	(1,294)
Other liabilities	(20,087)	(19,838)
Creditors	(118,295)	(109,144)
Long-term creditors	(10,178)	(9,376)
Total	(807,781)	(892,393)
Less than I year	(244,829)	(286,350)
Between I and 2 years	(10,873)	(45,972)
Between 2 and 5 years	(19,197)	(83,368)
Between 5 and 10 years	(112,004)	(72,419)
Between 10 and 20 years	(60,818)	(49,914)
Between 20 and 30 years	(13,987)	(9,544)
Between 30 and 40 years	(17,651)	(16,419)
Between 40 and 50 years	(290,203)	(290,219)
Over 50 years	(38,219)	(38,188)
Total	(807,781)	(892,393)

The Council has £64m (2022/23: £64m) of LOBO loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans.

£170.954m of short-term borrowing in place at 31 March 2024 was taken under approved authority to meet the Council's capital financing and cash flow requirements to the end of the financial year. These loans can be repaid from cash flow maturing deposits and short-term borrowing in 2024/25 if required, thus reducing credit risk.

#### **Market Risk: Interest Rate Risk**

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

- borrowings at variable rates the interest expense will rise;
- borrowings at fixed rates the fair value of the liabilities will fall;
- investments at variable rates the interest income will rise;
- investments at fixed rates the fair value of the assets will fall;
- pay fixed receive variable interest rate swaps the fair value of the assets will rise.

The Council has £170.954m short-term (less than 12 months) loans so there is an interest rate risk if the rates go up. The Council holds a £75m "pay fixed receive variable" interest rate swap to partly offset this risk. If there is a 0.5% increase in the bank rate it will cost an additional £0.201m per year.

The Council has £64m (2022/23: £64m) of LOBO loans with fixed interest rates and with maturity dates between 2031 and 2078 where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate. Movements in the fair value of the interest rates swaps will be reflected in the Surplus or Deficit on the Provision of Services.

The Council has a number of strategies for managing interest rate risk. The Council seeks to minimise this risk through expert advice on forecasts of interest rates received from our treasury management consultants. This is used to formulate a strategy for the year for both investments and borrowing. This strategy is periodically reviewed during the year to update for any modifications required in the light of actual movements in interest rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. Interest rate risk is also managed using interest rate swaps, and the Council currently holds a £75m interest rate swap maturing in 2040 with a strike rate of 0.56%. Changes in the fair value of the swap are taken to an earmarked reserve.

#### **Market Risk: Price Risk**

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. The risk is limited by the Council's maximum exposure to property investment fund of £20,788. A 1% fall in commercial property prices would result in a £0,208m charge to the surplus or deficit on the provision of services, which is then transferred to the pooled investment fund adjustment account.

The Council's investments in pooled investment funds is subject to the risk of changing share prices. The risk is limited by the Council's maximum exposure to equity investments of £26.462m. A 1% fall in share prices would result in a £0.218m charge to the surplus or deficit on the provision of services, which is then transferred to the pooled investment fund adjustment account.

#### 19 Debtors

### 19.1 Short-Term Debtors

Short-Term Debtors by Category	31 March 2023	31 March 2024
	£000	£000
Central government departments	10,223	8,924
NHS bodies	2,125	2,617
Other local authorities	4,221	5,361
Other entities and individuals	49,165	92,478
Total Short-Term Debtors	65,734	109,380

# 19.2 Long-Term Debtors

Long-Term Debtors by Category	31 March 2023	31 March 2024
	£000	£000
Secured debt	1,086	1,131
Other loans/mortgages	8,526	8,566
Other long-term debts	0	552
Total Long-Term Debtors	9,612	10,249

### 19.3 Bad Debt Provision

Analysis of Bad Debt Provision Held	31 March 2023	Provisions Made in Year	Provisions Used in Year	31 March 2024
	£000	£000	£000	£000
General fund	(4,012)	(637)	1,492	(3,157)
Housing benefit overpayments provision	(5,544)	(364)	774	(5,134)
Collection fund	(8,966)	(1,844)	432	(10,378)
Total Provisions for Bad Debt	(18,522)	(2,845)	2,698	(18,669)

# **20 Creditors**

# **20.1 Short-Term Creditors**

Short-Term Creditors by Category	31 March 2023	31 March 2024
	£000	£000
Central government departments	(17,716)	(6,181)
NHS bodies	(1,614)	(483)
Other local authorities	(5,676)	(2,185)
Other entities and individuals	(99,097)	(106,547)
Total Short-Term Creditors	(124,103)	(115,396)

# **20.2 Long-Term Creditors**

Long-Term Creditors by Category	31 March 2023	31 March 2024
	£000	£000
Other local authorities	(10,022)	(9,171)
Other entities and individuals	(156)	(205)
Total Long-Term Creditors	(10,178)	(9,376)

The amount included within Other Local Authorities relates to a liability to Devon County Council for unfunded pension liabilities in reference to pre-Local Government Re-organisation (that is pre 1 April 1998).

# 20.3 Other Long-Term Liabilities

Analysis of Other Long-Term Liabilities	31 March 2023	31 March 2024
	£000	£000
PFI finance leases	(88,680)	(84,233)
Other finance leases	(1,295)	(1,228)
Cornwall Council - Tamar Bridge and Torpoint Ferry Joint Committee	(18,575)	(18,100)
Total Other Long-Term Liabilities	(108,550)	(103,561)

#### 21 Provisions

The Council has a number of budget provisions set up to meet known liabilities. The balance on the provisions at year-end together with movement in the year is outlined as follows:

Analysis of Provisions Held	31 March 2023	Provisions Made in Year	Provisions Used in Year	Unused Amounts Reversed in Year	31 March 2024
	£000	£000	£000	£000	£000
Insurance provision	(4,292)	(2,169)	1,720	0	(4,741)
Landfill site provision	(6,971)	0	391	56	(6,524)
Business rates appeals provision	(6,013)	(2,318)	3,584	0	(4,747)
Total Provisions	(17,276)	(4,487)	5,695	56	(16,012)

The provisions include short-term provisions of £6.626m (2022/23: £1.603m) and long-term provisions of £9.388m (2022/23: £12.931m).

Details about the main provisions held are as follows:

#### **Insurance Provisions**

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

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

#### **Landfill Site Provision**

The Council has a provision of £6.524m as at 31 March 2024 to reflect the Council's on-going liability for the closed landfill site at Chelson Meadow. The provision has been calculated on the future maintenance costs over the next 44 years and is reviewed each year to take into account the actual maintenance costs spent in the year.

#### 22 Unusable Reserves

The Council holds a number of unusable reserves in the Balance sheet. Some are required to be held for statutory reasons and some are needed to comply with proper accountancy practice.

Analysis of Reserves	Note	31 March 2023	31 March 2024
		£000	£000
Unusable Reserves:			
Revaluation Reserve	22.1	326,867	333,967
Capital Adjustment Account	22.2	122,567	171,753
Financial Instruments Adjustments Account	22.3	(24,814)	(24,194)
Pensions Reserve	22.4	(37,487)	(73,542)
Collection Fund Adjustment Account	22.5	7,814	2,208
Accumulating Compensated Absences Adjustment Account		(2,042)	(2,131)
Deferred Capital Receipts		285	280
Pooled Investment Fund Adjustment Account		(2,091)	(2,743)
DSG Adjustment Account	28	0	(4,253)
Total Unusable Reserves		391,099	401,345

#### 22.1 Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of service and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Revaluation Reserve contains only revaluation gains accumulated since I April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

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

Movement in Revaluation Reserve	2022/23	2023/24
	£000	£000
Balance at I April	313,175	326,867
Upward revaluation of assets	31,783	42,615
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the Provision of Services	(5,027)	(7,110)
Surplus or (Deficit) on the Revaluation of Non-current Assets Not Posted to the (Surplus) or Deficit on the Provision of Services	26,756	35,505
Release of Investment Property Balance	0	(323)
Difference between fair value depreciation and historical cost depreciation	(9,472)	(9,728)
Accumulated gains on assets sold or scrapped	(3,592)	(18,354)
Amount Written Off to the Capital Adjustment Account	(13,064)	(28,405)
Balance at 31 March	326,867	333,967

### 22.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of

acquisition, construction or enhancement as depreciation, impairment losses and amortisations. These are then charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. It also contains revaluation gains accumulated on Property, Plant and Equipment before I April 2007, the date that the Revaluation Reserve was created to hold such gains.

The following table shows the transactions posted to the account during the year:

Movement in Capital Adjustment Account	2022/23	2023/24
	£000	£000
Balance at I April	162,781	122,567
Release of Investment Property balance in the Revaluation Reserve	0	323
Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(39,697)	(44,754)
Revaluation losses on Property, Plant and Equipment	(13,965)	18,802
Amortisation of intangible assets	(2)	0
Revenue expenditure funded from capital under statute	(12,479)	(23,193)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(7,592)	(21,510)
Adjusting amounts written out of the Revaluation Reserve	9,472	28,082
Capital Financing Applied in the Year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,643	6,348
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,150	79,044
Amounts Reserved for Future Capital Funding:		
Statutory provision for the financing of capital investment charged against the General Fund (includes TBTF element)	18,537	19,182
Capital expenditure charged against General Fund	704	273
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(15,198)	(12,946)
Other Movement on the CAA in Year:		
Landfill Site Provision	2,703	56
Write down of long-term debtors	(814)	(2,845)
Deferred credit - Energy from Waste	2,324	2,324
Balance at 31 March	122,567	171,753

# 22.3 Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for the accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the account to manage premiums paid and discounts received on the early redemption of loans. During the year there was no early redemption of LOBO loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the

General Fund Balance to the account in the Movement in Reserves Statement. Over time, the net expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on Council Taxpayers. In the Council's case this period is the unexpired term that was outstanding on loans when they were redeemed.

Movement in Financial Instruments Adjustment Account	2022/23	2023/24
	£000	£000
Balance at I April	(25,431)	(24,814)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory	544	544
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	73	76
Balance at 31 March	(24,814)	(24,194)

#### 22.4 Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities to recognise and to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible (i.e. enhanced pensions). The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Movement in Pension Reserve	2022/23	2023/24
	£000	£000
Balance at I April	(383,373)	(37,487)
Opening balance adjustment	0	(324)
Actuarial gains or losses on pensions assets and liabilities	356,018	(42,948)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(27,448)	(12,602)
Employer's pensions contributions and direct payments to pensioners payable in the year	15,838	18,968
(Increase)/decrease in Plymouth's share of next deficit in year of Devon County Council Pension Fund	1,478	851
Balance at 31 March	(37,487)	(73,542)

# 22.5 Collection Fund Adjustment Account

The collection fund adjustment account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the collection fund.

Collection Fund Adjustment Account	2022/23	2023/24
	£000	£000
Balance at I April	18,673	(7,814)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated from the year in accordance with statutory		
requirements	(26,487)	5,606
Balance at 31 March	(7,814)	(2,208)

# 23 Notes to Cash Flow

# 23.1 Cash Flow Statement - Operating Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

Analysis of Operating Activities	2022/23	2023/24
	£000	£000
Net Surplus/(Deficit) on the Provision of Services	(40,605)	20,311
Adjust Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements:		
Depreciation	53,663	44,754
Impairment and downward valuations	(9,471)	(18,802)
Adjustment for movements in fair value of investments classified as fair value through profit and loss	(9,337)	(867)
Losses or gains on derecognition of loans and advances in year	3,122	0
Adjustments for effective interest rates	(587)	0
(Increase)/decrease in interest creditors	607	(3,338)
(Increase)/decrease in creditors	47,488	(15,819)
(Increase)/decrease in interest and dividend debtors	0	(287)
(Increase)/decrease in debtors	(6,546)	(51,617)
(Increase)/decrease in inventories	(154)	(373)
Pension liability	10,132	(7,216)
Contributions to/(from) Provisions	(3,946)	(1,263)
Movement on the Dedicated Schools Grant Adjustment Account	0	(4,253)
Carrying amount of short-term and long-term investments sold	11,181	21,516
Movement in Investment Property values	15,198	12,946
Total	111,350	(24,619)
Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities		
Capital grants credited to surplus/(deficit) on the Provision of Services	(36,708)	(80,211)
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,593)	(1,190)
Total	(39,301)	(81,401)
Net Cash Flows from Operating Activities	31,444	(85,709)

The cash flows for operating activities include the following items:

Analysis of Interest Paid and Received	2022/23	2023/24
	£000	£000
Interest received	3,466	4,677
Interest paid	(16,727)	(26,636)

# 23.2 Cash Flow Statement - Investing Activities

Analysis of Investing Activities	2022/23	2023/24
	£000	£000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(76,019)	(64,721)
Other payments for Investing Activities	(28,531)	(5,642)
Proceeds from the sale of Property, Plant and Equipment, Investment Properties and Intangible Assets	2,596	1,195
Other Receipts from Investing Activities	46,685	37,356
Net Cash Flows from Investing Activities	(55,269)	(31,812)

# 23.3 Cash Flow Statement - Financing Activities

Analysis of Financing Activities	2022/23	2023/24
	£000	£000
Cash receipts of short-term and long-term borrowing	157,987	305,209
Billing Authorities - Council Tax and NDR adjustments	(6,237)	11,840
Repayment of short-term and long-term borrowing	(147,485)	(202,958)
Other receipts from financing activities	13,699	4,542
Payments for the reduction of a PFI liability	(4,184)	(4,296)
Net Cash Flows from Financing Activities	13,780	114,337

### 23.4 Cash Flow Statement - Cash and Cash Equivalents

Analysis of Cash and Cash Equivalents	2022/23	2023/24
	£000	£000
Cash and bank balances	724	1,890
Cash Investments - regarded as cash equivalents	28,745	23,795
Tamar Bridge and Torpoint Ferry	713	1,313
Net Cash Flows from Cash and Cash Equivalents	30,182	26,998

# 24 Pooled Budgets - Integrated Fund

The Council has a pooled budget arrangement with the NHS Devon Integrated Care Board (Devon ICB), under Section 75 of the NHS Act 2006, to enable an integrated approach to commissioning a range of health, public health and social care services to meet the needs of people living in the Plymouth area. The pooled budget is currently hosted by NHS Devon ICB on behalf of the two partners to the agreement, although the two partners keep their own accounts in their separate ledgers. All spend is allocated a lead commissioner. The risk share allows for the Council and NHS Devon ICB to share the risk and reward of over and under-spends, up to the value of 0.5% of the agreed applicable value of the Integrated Fund, is proportional to the value of the contribution of each party to the Integrated Fund and also ensures that the risk to each partner is capped. In 2020/21, because of the global pandemic, and

its effects on the costs of health and social care, it was agreed to amend the risk share for the year to 0% risk on both parties to the agreement and this was again agreed for 2021/22, 2022/23 and 2023/24. This decision will be reviewed for 2024/25.

Pooled Budget - Integrated Fund	2022/23	2023/24
	£000	£000
Contribution to the Pooled Budget:		
Plymouth City Council's contribution:		
Pooled	207,690	215,968
Aligned	66,712	69,514
Total Plymouth City Council	274,402	285,482
NHS Devon ICB's contribution:		
Pooled	176,838	164,583
Aligned	226,057	321,515
Total NHS Devon ICB	402,895	486,098
Total Combined Integrated Fund	677,297	771,580
Expenditure Met from the Pooled Budget:		
Plymouth City Council	280,184	300,284
NHS Devon ICB	399,518	491,390
Total Expenditure on Integrated Fund	679,702	791,674
Net (Surplus)/Deficit on the Integrated Fund During the Year	2,405	20,094

The figures above include amounts of the Plymouth Better Care Fund, of whom the lead commissioners are:

Plymouth Better Care Fund	2022/23	2023/24
	£000	£000
NHS Devon ICB Lead Commissioner	13,541	14,791
Plymouth City Council Lead Commissioner	11,415	8,601
Total Plymouth Better Care Fund	24,956	23,392

### 25 Members' Allowances

Allowances paid to Members of the Council in 2023/24 totalled £1.156m (2022/23: £1.054m). These figures include Members' allowances and expenses. Further information can be found on the Council's website.

### 26 Officers' Remuneration

# **26.1 Senior Employees**

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

Senior Management Post	Financial Year	Salaries, Fees and Allowances*	Pension Contributions	Total Remuneration	Notes
Salary over £150,000		£	£	£	
Tracey Lee - Chief Executive (Head of Paid	2023/24	184,773	32,356	217,129	Includes election duty payments as the Returning Officer.
Service)	2022/23	177,711	27,879	205,590	Includes election duty payments as the Returning Officer.
Salary over £50,000 but less than £150,000					
	2023/24	119,975	21,295	141,270	Includes election duty payments as the Deputy Returning Officer.
Assistant Chief Executive	2022/23	119,460	19,005	138,465	Includes election duty payments as the Deputy Returning Officer.
	2023/24	43,179	8,204	51,383	A new post holder commenced on 27 December 2023.
Director of Children's Services	2023/24	62,755	11,119	73,874	A new post holder commenced on 31 July 2023 until 26 December 2023 via an Agency. Previous post holder Left the authority on 01 September 2023.
	2022/23	149,368	24,258	173,626	A new post holder commenced on 13 June 2022. Previous post holder left the authority on 30 June 2022.
	2023/24	118,394	17,025	135,419	
Director of Public Health	2022/23	114,390	16,449	130,839	

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Senior Management Post	Financial Year	Salaries, Fees and Allowances*	Pension Contributions	Total Remuneration	Notes
		£	£	£	
Director of Resources (Previously Strategic Director of Customer and Corporate	2023/24	47,264	1,768	49,032	Post vacant. Post holder left the authority on 28 April 2023. Includes election duty payments.
Services)	2022/23	132,810	21,960	154,770	Includes election duty payments.
Sweet and Discount for Boards	2023/24	141,698	22,327	164,025	Post holder left the authority on 16 February 2024. Includes election duty payments.
Strategic Director for People	2022/23	143,853	21,782	165,635	A new post holder commenced on 22 October 2022. Previous post holder left the authority on 21 October 2022.
Strategia Director for Place	2023/24	137,394	25,555	162,949	
Strategic Director for Place	2022/23	135,396	22,476	157,872	
Service Director for Children,	2023/24	31,976	0	31,976	A new post holder commenced on 17 July 2023 via an Agency. Previous post holder left the authority on 23 July 2023.
Young People and Families	2022/23	100,227	10,013	110,240	A new post holder commenced on 6 November 2022. Previous post holder left the authority on 5 November 2022.
Service Director for	2023/24	82,095	17,053	99,148	Includes election duty payments.
Community Connections	2022/23	80,809	13,381	94,190	Includes election duty payments.
Service Director for Digital	2023/24	0	0	0	Post vacant.
and Customer Services	2022/23	0	0	0	Post vacant.
Service Director for Economic	2023/24	107,257	20,146	127,403	
Development	2022/23	104,636	17,372	122,008	
Service Director for	2023/24	13,256	2,519	15,775	A new post holder commenced on 19 February 2024. Post covered via an Agency until 18 January 2024.
Education, Participation and Skills	2022/23	63,858	10,600	74,458	A new post holder commenced on 9 January 2023 via an Agency. Previous post holder left the authority on 30 November 2022.

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Senior Management Post Financial Year		Salaries, Fees and Allowances*	Pension Contributions	Total Remuneration	Notes
		£	£	£	
	2023/24	108,299	20,089	128,388	Includes election duty payments.
Service Director for Finance (Section 151 Officer)	2022/23	105,266	17,474	122,740	A new post holder commenced on 4 October 2022. Previous post holder left the authority on 3 October 2022.
	2023/24	43,249	8,217	51,466	A new post holder commenced on 16 November 2023.
Service Director for HR and Organisational Development	2023/24	32,986	4,327	37,313	A new post holder commenced on 23 July 23 until 26 November 23 via an Agency.  Previous post holder left the authority on 26 June 2023.  Includes election duty payments.
	2022/23	101,002	16,766	117,768	
6	2023/24	0	0	0	Post vacant.
Service Director for Integrated Commissioning	2022/23	57,043	9,428	66,471	The post holder vacated this post on 21 October 2022. Includes election duty payments.
Service Director for Strategic	2023/24	111,369	20,727	132,096	
Planning and Infrastructure	2022/23	104,648	17,372	122,020	
Service Director for Street	2023/24	104,787	19,444	124,231	Includes election duty payments.
Services	2022/23	99,562	16,494	116,056	Includes election duty payments.
	2023/24	7,263	1,380	8,643	A new post holder commenced on 4 March 2024.
Head of Legal Services (Monitoring Officer)	2023/24	35,057	6,260	41,317	Post holder left the authority on 6 August 2023.
(i ioinioi iiig Oineer)	2022/23	96,925	16,090	113,015	

<sup>\*</sup> Salaries, Fees and Allowances exclude immaterial expenses such as travel and subsistence

# **Election Fees**

The allowances for 2023/24 cover one local election and two local by-elections.

The allowances for 2022/23 cover one local election and one local by-election.

# 26.2 Remuneration Above £50,000

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

The following numbers do not include the senior management as disclosed in note 26.1.

Remuneration Bandings	2022	2/23	2023/24		
Remailer action Dandings	Schools	Non-schools	Schools	Non-schools	
£50,000 - £54,999	25	66	17	78	
£55,000 - £59,999	8	31	П	36	
£60,000 - £64,999	9	20	2	18	
£65,000 - £69,999	2	8	3	17	
£70,000 - £74,999	0	8	4	10	
£75,000 - £79,999	2	4	1	3	
£80,000 - £84,999	1	I.	0	3	
£85,000 - £89,999	4	0	2	3	
£90,000 - £94,999	0	2	2	1	
£95,000 - £99,999	1	0	2	1	
£100,000 - £104,999	0	0	0	0	
£105,000 - £109,999	0	0	0	0	
£110,000 - £114,999	I	1	0	0	
£115,000 - £119,999	0	0	0	0	
£120,000 - £124,999	0	0	1	1	
Total	53	141	45	171	

# 26.3 Employee Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Banding	Comp	ber of oulsory dancies	Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
							£000	£000
£00,001 - £20,000	6	2	4	П	10	13	18	102
£20,001 - £40,000	0	I	0	1	0	2	0	58
£40,001 - £60,000	0	I	0	1	0	2	0	89
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	I	0	0	0	1	0	108
Total	6	5	4	13	10	18	18	357

The Council terminated the contracts of a number of employees in 2023/24, including school based staff, incurring liabilities of £0.383m (2022/23: £0.018m). This includes a sum of £0.126m to the pension fund in respect of pensions strain payments (for example, of the payments in the £100,001 - £150,000 band,

67% relates to the strain payment). The Council's expenditure on schools in primarily funded from the Dedicated Schools Grant provided by the Department of Education.

### **27 External Audit Costs**

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

Analysis of External Audit Costs	2022/23	2023/24
	£000	£000
Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor for the year	191	393
Fees payable in respect of other services provided by Grant Thornton LLP during the year	35	73
Total External Auditor Costs	226	466

#### 28 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). The DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2023. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

		2023/24				
Analys	sis of Dedicated Schools Grant	Central Expenditure	Individual Schools Budget	Total		
Note		£000	£000	£000		
Α	Final DSG before academy and high needs recoupment			260,211		
В	Academy and high needs figure recouped			(179,636)		
С	Total DSG After Academy and High Needs Recoupment			80,575		
D	Brought forward from 2022/23			1,174		
E	Carry-forward to 2024/25 agreed in advance			0		
F	Agreed initial budgeted distribution in 2023/24	37,119	44,631	81,750		
G	In year adjustments	0	20	20		
Н	Final Budgeted Distribution	37,119	44,651	81,770		
1	Less actual central expenditure	45,211		45,211		
J	Less actual ISB deployed to schools		40,811	40,811		
K	Plus Local Authority contribution	0	0	0		
L	In-Year Carry-Forward to 2024/25	(8,092)	3,840	(4,252)		
М	Plus: Carry-forward to 2024/25 agreed in advance			0		
N	Carry-Forward to 2024/25			0		
0	DSG unusable reserve at the end of 2022/23			0		
Р	Addition to DSG unusable reserve at the end of 2023/24			(4,252)		
Q	Total of DSG Unusable Reserve at the End of 2023/24			(4,252)		
R	Net DSG Position at the End of 2023/24			(4,252)		

- A. Final DSG figure before any amount has been recouped from the authority as published March 2024 excluding the adjustment to the 2022/23 DSG for early years made during 2023/24 based on January 2023 numbers or top-up funding.
- B. Figure recouped from the authority in 2023/24 by the DfE for the conversion of maintained schools into academies and for high needs payments made by ESFA.
- C. Total DSG figure after academy and high needs recoupment for 2023/24, as published March 2024.
- D. Figure brought forward from 2022/23.
- E. Any amount which the authority decided after consultation with the Schools Forum to carry forward to 2024/25 rather than distribute in 2023/24.
- F. Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the Schools Forum.
- G. Changes to the initial distribution, for example the final early years block adjustment for 2022/23 made during 2023/24 on the basis of January 2023 numbers. Safety valve payments count as DSG and should be included here if paid in 2023/24.
- H. Budgeted distribution of DSG as at the end of the financial year.
- I. Actual amount of central expenditure items in 2023/24.
- J. Amount of ISB actually distributed to schools.

- K. Any contribution from the Local Authority in 2023/24 that will have the effect of substituting for DSG in funding the schools budget.
- L. In-year position at end of 2023/24:
  - For central expenditure, difference between final budgeted distribution of DSG and actual expenditure.
  - For ISB, difference between final budgeted distribution and amount actually deployed to schools, plus any local authority contribution.
- M. Plus/minus any carry-forward to 2024/25 already agreed.
- N. Total carry-forward on central expenditure plus carry-forward on ISB plus/minus any carry-forward to 2024/25 already agreed.
- O. DSG unusable reserve at end of 2022/23.
- P. Any addition to DSG unusable reserve in 2023/24 as a result of an in-year deficit in 2023/24.
- Q. Total of DSG unusable reserve at end of 2023/24.
- R. Net DSG position at the end of 2023/24.

#### 29 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

Credited to Taxation and Non-specific Grant Income and Expenditure	2022/23	2023/24
	£000	£000
Section 31 grants	(12,679)	(18,078)
Capital grants and contributions	(28,686)	(66,268)
PFI credits	(7,053)	(6,948)
Revenue Support Grant	(10,046)	(11,562)
Total	(58,464)	(102,856)

Grants Credited to Services	2022/23	2023/24
	£000	£000
Benefits Admin Grant	(923)	0
Dedicated Schools Grant and Other Education Grants	(78,311)	(83,575)
Housing Benefit Subsidy	(55,296)	(56,375)
Learning and Skills Council	(2,742)	(2,440)
Improved Better Care Fund	(12,933)	(12,933)
Transforming Social Care Grant	(13,502)	(21,707)
New Homes Bonus	(1,707)	(22)
Public Health Grant	(15,940)	(16,460)
Troubled Families Grant	(1,089)	(1,009)
Arts Council	(769)	(529)
Department of Health Grant	(54)	(242)
COVID-19 Emergency funding	(16)	0
Household Support Grant	(4,590)	(4,590)
Market Sustainability Fair Costs of Care	(867)	(3,007)
New Burdens - Breathing Space	(4,437)	(2,359)
Other Revenue Grants	(28,099)	(47,210)
Total	(221,275)	(252,458)

# 29.1 Current Liabilities

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the grantor. The grants are held on the Balance Sheet as a creditor in a Grants Receipts in Advance Account and are split between Revenue and Capital Grant Receipts in Advance as follows:

Revenue Grant Receipts in Advance - Current Liabilities	2022/23	2023/24
	£000	£000
RegEnergy	387	434
Sub-National Transport Body	0	485
Domestic Abuse Bill preparation	640	765
Section 256 Revenue Grant (SARC)	573	608
D2 Grids	436	443
Family Hubs Start For Life	402	182
NIHR Plymouth Health Determinants Research	444	241
Afghan Citizens Resettlement Scheme	416	597
Homes for Ukraine	1,342	1,222
Bus Service Improvement Plan	0	712
Nature Based Solutions	0	518
Syrian Resettlement Programme (SRP)	690	313
Changing Futures	499	324
Other	3,964	2,986
Total	9,793	9,830

Capital Grant Receipts in Advance - Current Liabilities	2022/23	2023/24
	£000	£000
Department for Transport	40,898	46,324
Department for Environment Food & Rural Affairs	1,478	3,398
Department for Digital, Culture, Media and Sport	3,393	2,063
Football Foundation	921	0
Arts Council	4,175	0
Growth Deal (LEP)	36,180	6,080
Growth & Housing Fund	4,470	0
Get Building Fund (LEP)	7,074	4,087
Department for Levelling Up, Housing & Communities	22,754	23,685
European Regional Development Funding	4,006	0
Department for Business, Energy & Industrial Strategy	4,467	2,452
Department for Education	0	435
Warm Homes Fund	1,060	1,060
Heatnet	0	1,000
NHS England	442	580
Other	1,087	936
Total	132,405	92,100

# 29.2 Long-Term Liabilities

Capital Grant Receipts in Advance - Long-Term Liabilities	2022/23	2023/24
	£000	£000
Department for Transport	6,684	7,596
Heritage Lottery Fund	0	12
S106	13,486	11,310
Growth Deal	7,154	4,694
Department for Levelling Up, Homes & Communities	4,800	4,800
Total	32,124	28,412

OFFICIAL PLYMOUTH CITY COUNCIL

#### **30 Related Parties**

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

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

				2022/23			2023/24	
Related Party Transactions  Details of Arr	Details of Arrangement	Receipts	Payments	Outstanding Balances/ Commitments	Receipts	Payments	Outstanding Balances/ Commitments	
Subsidiaries, Associate	s and Joint Arrangements	£000	£000	£000	£000	£000	£000	
Subsidiaries								
@ Plymouth Care	@PlymouthCare was incorporated on the 10 June 2021. The company is a wholly owned subsidiary of the Council and was created to help people remain as independent in their own home, by providing support and care services for people.	(13)	498	466	(19)	419	357	
Arca (Plymouth) Ltd	Arca is responsible for the administration and management of The Box and St Luke's Church and is a wholly owned by the Plymouth City Council.	(2)	805	(1,076)	(11)	832	0	
CATERed Ltd	CATERed is a co-operative trading company which is jointly owned by 67 local schools and Plymouth City Council. Plymouth City Council is the majority shareholder with 51% of the shares.	(205)	1,564	49	(200)	1,254	(131)	
Plymouth Active Leisure	Plymouth Active Leisure Limited was incorporated on the 17th November 2021. The company is a wholly owned subsidiary of the Council and took back responsibility for operating the Council's leisure centres from Sports and Leisure Management LTD (SLM) on the 1 April 2022.	(203)	711	245	(164)	402	21	
Plymouth Investment Partnerships Ltd (PIP)	PIP invests in the promotion, assistance and establishment of business to improve the employment and economy of Plymouth and its surrounding area. Plymouth City Council has full ownership of PIP.	(106)	0	0	(84)	0	0	

PLYMOUTH CITY COUNCIL

		2022/23		2023/24			
Related Party Transactions	Details of Arrangement	Receipts	Payments	Outstanding Balances/ Commitments	Receipts	Payments	Outstanding Balances/ Commitments
Subsidiaries, Associat	es and Joint Arrangements - Continued	£000	£000	£000	£000	£000	£000
Joint Arrangements							
DELT Shared Services Ltd	DELT provide ICT and systems to partners. DELT is jointly and equally controlled and owned by Plymouth City Council and Devon CCG.	(199)	12,046	3,175	(198)	11,298	1,197
Plymouth Science Park Ltd	Plymouth Science Park is a science and technology park for businesses and provide provision of support, advisory and facilities management services. Plymouth Science Park is jointly and equally owned by Plymouth City Council and Plymouth University.	(50)	0	(1,956)	(50)	0	(1,956)

# **Central Government**

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of transactions with Government Departments are set out in note <u>29</u>.

# **Members**

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

The total of members allowances paid in 2023/24 is disclosed in note 25.

Under the Code of Conduct, incorporated in the Council's constitution, Members are required to record in the Register of Members' Interests any financial and other personal interests, together with any gift, hospitality, material benefit or advantage. The register is open to inspection by the public and is available on an individual Member basis on the Council's website. Members who declare an interest do not take part in any discussion or decision relating to grants made or works or services commissioned. Details of all interests declared are recorded in the meetings of relevant meetings.

Members of the Council are nominated to serve on numerous outside bodies some of which either receive funding from the Council or issue levies and precepts to be paid by the Council. When sitting on these bodies Members are expected to act independently and not to represent the views of the Council.

#### **Senior Officers**

Under the Employees' Code of Conduct, officers are required to declare potential conflicts of interest arising from employment arrangements together with gifts or hospitality and offers thereof and, under Section 117 of the 1972 Local Government Act, contractual arrangements where there is a conflict of interest whether it be by direct or indirect involvement. Most professional bodies also have codes of professional conduct to which members of those bodies are expected to adhere. During the financial year 2023/24 17 officers were company directors or board members on behalf of the Council.

### **Other Public Bodies**

The Council has a pooled budget arrangement with NHS Devon Integrated Care Board (NHS Devon ICB) for the provision of care services. Further details of the arrangement, the transactions and balances outstanding are detailed in note <u>24</u>.

### **Other Interests in Companies**

There are a number of companies which are also linked to the Council which fall under the definition of an assisted organisation. This includes the provision of financial assistance to voluntary organisations. However they are not considered material in financial terms. Examples include Access Plymouth Ltd, Plymouth Citizens Advice Bureau and the Shekinah Mission (Plymouth) Limited. Independent Futures and the Plymouth City Centre Company Limited are examples of larger organisations supported by the Council.

#### DELT Shared Services Limited

DELT was launched I October 2014 and is a publicly owned private limited company (09098450). It was set up to deliver ICT services and systems to its partners; Plymouth City Council and NHS Devon ICB.

DELT is jointly and equally controlled by its partners with both partners carrying equal full voting rights. The collaborative arrangement is classed as a joint venture.

For more information about DELT and its financial performance, please visit the DELT Services website.

### CATER<sup>ed</sup> Limited

CATER<sup>ed</sup> is a cooperative trading company (09355912) which is jointly owned by Plymouth City Council and 67 local schools, providing all school meals in the city. CATER<sup>ed</sup> is 49 per cent owned by schools and 51 per cent by the Council and serves almost 2.5 million meals to Plymouth school children every year.

Plymouth City Council is the majority shareholder of CATER<sup>ed</sup> with 51 per cent of shares and voting rights allocated one vote per share. The collaborative arrangement is classed as a subsidiary of the Council.

For more information about CATER<sup>ed</sup> and its financial performance, please visit the CATER<sup>ed</sup> website.

### Arca (Plymouth) Limited

Arca (Plymouth) Ltd (12187662) is a wholly owned subsidiary of the Council which is responsible for the administration and management of The Box and St Luke's Church which opened in September 2020.

### @PlymouthCare Limited

@PlymouthCare (13449128) was incorporated on the 10 June 2021. The company is a wholly owned subsidiary of the Council and was created to help people remain as independent in their own home, by providing support and care services for people.

# Plymouth Active Leisure Limited

Plymouth Active Leisure Limited (13749536) was incorporated on the 17 November 2021. The company is a wholly owned subsidiary of the Council and took back responsibility for operating the Council's leisure centres from Sports and Leisure Management LTD (SLM) on the 1 April 2022.

### **Joint Committees**

The Council is a member of a couple of joint committees where local authorities have joined together to provide a service. These are listed as follows:

### Devon Audit Partnership (DAP)

From April 2009 Plymouth City Council set up a Joint Committee with Devon County Council and Torbay Council for the provision of a shared internal audit service. The service is also able to provide audit services to other organisations. This is a shared service arrangement and is constituted under section 20 of the Local Government Act 2000.

Devon County Council is the host Council for the Joint Committee with all staff now employed by Devon County Council. Assets and Liabilities of the Joint Committee are split on an agreed basis (number of FTE's on inception of the Committee); Plymouth's share equates to 27 per cent and its contribution to the partnership for 2023/24 was £0.324m (2022/23: £0.324m). The Council also pays DAP for Counter Fraud Services at a cost of £0.228m for 2023/24 (£0.228m for 2022/23).

# South West Devon Waste Disposal Partnership

Plymouth City Council, Torbay Council and Devon County Council have jointly contracted a PFI project for an Energy from Waste Plant (based in Plymouth) to dispose of residual waste collected by the three Councils. As part of the Joint Working Agreement between the three Councils the South West Devon Waste Partnership Joint Committee has been established to facilitate the procurement and subsequent operation and management of the facilities (by the selected contractor). The Plant became operational in April 2015.

Plymouth is the Lead Authority with the expenditure associated with this project is incurred and then allocated on an estimated tonnage share basis to Torbay and Devon County Councils. Plymouth's share of the expenditure is reflected within the cost of services on the Comprehensive Income and Expenditure Statement.

For more information about external bodies which Plymouth City Council have an interest in please visit the Council's website.

# 31 Capital Expenditure and Capital Financing

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

Capital Financing Requirements	2022/23	2023/24
	£000	£000
Opening Capital Financing Requirement   April	765,214	816,483
Capital Investment		
Property, Plant and Equipment	75,602	71,129
Investment Properties	(5)	0
Assets Held for Sale	112	25
Revenue Expenditure Funded from Capital Under Statute	12,479	23,193
Other capital expenditure	130	735
Total	88,318	95,082
Sources of Finance		
Capital receipts	(2,643)	(6,348)
Other movements in Long-Term Debtors	(2,402)	637
Grants and contributions applied in year	(13,150)	(79,044)
Revenue and other funds	(704)	(273)
Minimum Revenue Provision	(18,537)	(19,182)
Use of landfill provision	387	391
Total	(37,049)	(103,819)
Closing Capital Financing Requirement 31 March	816,483	807,746
Explanation of Movement in Year		
Increase in underlying need to borrow	45,192	46,589
Increase in underlying need to borrow resulting from other changes in capital financing requirement	6,077	(55,326)
Increase/Decrease in Capital Financing Requirement	51,269	(8,737)

### 32 Leases

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

Operating Leases - Authority as a Lessor	31 March 2023	31 March 2024
	£000	£000
Not later than one year	17,527	17,774
Later than one year and not later than five years	58,318	58,188
Later than five years	213,743	257,034
Total Operating Leases	289,588	332,996

# 33 Private Finance Initiatives (PFI) and Similar Contracts

#### 33.1 Schools PFI

The Council makes an agreed payment each year, part of which is subject to an annual inflation increase, and can be reduced if the contractor fails to meet availability and performance standards in any one year but which is otherwise fixed. A total payment of £6.332m was made in 2023/24 (2022/23: £5.953m). Payments remaining to be made under the PFI contract at 31 March 2024, excluding any estimation of inflation and availability/performance deductions, are as follows:

PFI Outstanding Liabilities	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Total payments to operator in 2023/24	3,133	1,413	1,786	6,332
Payable in 2024/25	3,376	1,409	1,663	6,448
Payable within two to five years	14,654	6,660	5,352	26,666
Payable within six to ten years	17,552	10,968	2,696	31,216
Total	35,582	19,037	9,711	64,330

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred, and interest payable, whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

Movement in PFI Liability	2022/23	2023/24
	£000	£000
Balance outstanding I April	21,754	20,449
Payments during the year	(1,305)	(1,413)
Balance Outstanding 31 March	20,449	19,036

The Council has secured PFI credits to the value of £53m, to which interest is added resulting in total Government support of £105.871m over the contract period, and this together with an annual contributions from the Council and the schools which will be used to meet the running costs of the contract, including the loan repayments.

The PFI credits will be paid to the Council at a rate of £3.983m per annum. Spend to be incurred during the contract will vary from year to year as lifecycle works are undertaken. The Council transfers any surplus resources for the PFI scheme to a PFI reserve to match commitments that will be incurred in future years.

# 33.2 South West Devon (SWD) Energy from Waste (EfW) Partnership

2015/16 was the first year of operation of the EfW public/private service concession arrangement whereby the SWD local authority partnership granted the right to MVV Umwelt (MVVU), the operator, to treat and render inert waste that otherwise would have been disposed of in landfill sites. The SWD partnership comprising Plymouth City Council, Devon County Council and Torbay Council appointed MVVU under a fixed price contract to finance, construct and design the 245,000 tonne capacity facility and to maintain it to a minimum acceptable condition over a 50 year term.

PFI Outstanding Liabilities	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Total payments to operator in 2023/24	4,237	498	3,542	8,277
Payable in 2024/25	4,241	716	3,480	8,437
Payable within two to five years	20,113	2,837	13,225	36,175
Payable within six to ten years	26,767	9,112	13,654	49,533
Payable within eleven to fifteen years	31,228	17,187	7,141	55,556
Payable within sixteen to twenty years	5,277	2,612	179	8,068
Total	87,626	32,464	37,679	157,769

The EfW facility is located on MOD land at Camel's Head, North Yard in Devonport Dockyard, Plymouth. The SWD partnership specifies the activities offered by the facility, the opening hours and the expected minimum standard of service to be provided by the operator. MVVU is required to receive all the residual waste from the defined area of the local authority partnership for which the councils are obliged to pay a fixed gate fee based on a guaranteed minimum tonnage of waste, with an additional charge for any extra waste delivered by the councils over and above the contractual waste.

Movement in PFI Liability	2022/23 Plymouth Share	2022/23 Deferred Income	2023/24 Plymouth Share	2023/24 Deferred Income
	£000	£000	£000	£000
Balance outstanding I April	33,462	41,826	32,964	39,502
Payments during the year	(499)	(2,324)	(498)	(2,324)
Balance Outstanding 31 March	32,963	39,502	32,466	37,178

Under a separate 25 year agreement between the operator and the MOD, MVVU processes the waste to provide environmentally sustainable heat and electricity to HM Naval Base Devonport. Power is sold at a capped, index linked, guaranteed base price, with any surplus electricity being exported to the National Grid based on a long-term Power Purchase Agreement (PPA) to a company within the MVV group.

The SWD partnership receives 50% of the income earned by EVVU from any excess waste it processes or any excess energy it supplies to third parties. EMVU 3rd party revenues are unrestricted and the SWD partnership is obliged to compensate the operator for any loss of third party income should the councils exceed their contractual maximum tonnage.

Income and expenditure, assets and liabilities are recorded in each of Plymouth City Council, Devon County Council and Torbay Council's Statements of Accounts respectively in the ratio 48:35:17. Plymouth City Council's share of the total construction costs of £195.324m is carried at depreciated replacement cost in its balance sheet as detailed in note 15.1 (Property, Plant and Equipment) together with a corresponding liability.

#### 34 Pensions

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

#### 34.1 Pension Scheme Accounted for as Defined Contribution Schemes

### **Teachers' Pension Scheme**

Teachers employed by the Council are members of the Teachers' Pension scheme administered by Capita Teachers Pensions on behalf of the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the cost by making contributions based on a percentage of member's pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2023/24, Plymouth City Council paid £4.624m to Teachers' Pensions in respect of teachers' retirement benefits (2022/23: £3.535m). There were no contributions remaining payable at the year-end. In 2023/24 the minimum member contribution was 7.4 per cent of salary, the maximum was 11.7 per cent.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note <u>34.2</u>.

### 34.2 Defined Benefit Pension Schemes

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

Plymouth City Council and Tamar Bridge and Torpoint Ferry Joint Committee participate in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme with benefits earned up to 31 March 14 being linked to final salary. Benefits earned after 31 March 14 are based on Career Average Revalued Earnings (CARE). The Plymouth City Council scheme is administered by Devon County Council, however, the Joint Committee Scheme is administered by Cornwall Council and so separate notes have been included to represent Plymouth City Council's 50 per cent interest.

As a result of the High Court's recent Lloyds ruling on the equalisation of Guaranteed Minimum Pension (GMP), a number of pension schemes have made adjustments to accounting disclosures. On 23 March 2021, the Government published the outcome to its GMP indexation consultation, concluding that all public service pension schemes, including LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. This outcome is consistent with the approach adopted by the actuary and there are no adjustments to be made to the value placed on liabilities.

The McCloud/Sargeant cases relate to age discrimination within the Judicial and Fire Pension Schemes respectively. Regulations in respect of the McCloud and Sargeant judgements came into force on I October 2023. The estimated cost of the impact of the McCloud/Sargeant judgement was incorporated

into the pension notes as at 31 March 2022, any changes to these costs in 2023/24 are not expected to be material.

# PENSION INFORMATION FOR THE PLYMOUTH CITY COUNCIL (PCC) SCHEME

# **Transactions Relating to Post-Employment Benefits**

The Council recognises the cost of retirement benefits in the surplus/deficit on continuing services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, and the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the CIES and the General Fund Balance via the MiRS during the year:

Comprehensive Income and Expenditure Statement	2022/23	2023/24
	£000	£000
Cost of Services		
Service cost comprising:		
current service cost	24,980	13,748
past service cost	1	119
(gain)/loss from settlements	(755)	(261)
Financing and Investment Income and Expenditure		
Net interest expense	1,670	(2,069)
Other Operating Expenditure		
Administration expenses	556	571
Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services	26,452	12,108
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
return on plan assets (excluding the amount included in the net interest expense)	47,049	(56,767)
actuarial gains and losses arising on changes in demographic assumptions	0	(12,778)
actuarial gains and losses arising on changes in financial assumptions	(503,150)	(19,142)
experience gain/(loss) on defined benefit obligation	105,092	2,453
changes in effect of asset ceiling	0	129,924
Total Premeasurements Recognised in the Comprehensive Income and Expenditure Statement	(351,009)	43,690
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(324,557)	55,798
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(26,452)	(12,108)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:		
employers' contribution payable to the scheme	15,382	18,464
retirement benefits payable to pensioners	3,075	3,260
adjustment re: net increase/(decrease) per LGR pension liability	1,478	851

## 34.3 Assets and Liabilities in Relation to Post-Employment Benefits (PCC)

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

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

2023/24	Scheme Assets	Pension Obligations	Effect of Asset Ceiling	Net Pensions (Liability) or Asset
	£000	£000	£000	£000
Opening balance at I April	891,135	(918,063)	0	(26,928)
Current service cost	0	(13,748)	0	(13,748)
Employee contributions	6,701	(6,701)	0	0
Past service cost and gains/losses on settlements	(1,796)	1,938	0	142
Interest Income and Expenses	45,655	(43,586)	0	2,069
Admin expenses	(571)	0	0	(571)
Remeasurements:				
actuarial gains/losses arising from changes in demographic assumptions	0	12,778	0	12,778
actuarial gains/losses arising from changes in financial assumptions	0	19,142	0	19,142
other actuarial gains and losses	56,767	(2,453)	0	54,314
change on the effect of the assets ceiling	0	0	(129,924)	(129,924)
Council employers contribution	18,464	0	0	18,464
Retirement grants and pensions	(41,258)	41,258	0	0
Closing Balance at 31 March	975,097	(909,435)	(129,924)	(64,262)

2022/23	Scheme Assets	Pension Obligations	Effect of Asset Ceiling	Net Pensions (Liability) or Asset
	£000	£000	£000	£000
Opening balance at I April	920,884	(1,287,751)	0	(366,867)
Current service cost	0	(24,980)	0	(24,980)
Employee contributions	6,409	(6,409)	0	0
Past service cost and gains/losses on settlements	(2,006)	2,760	0	754
Interest Income and Expenses	34,410	(36,080)	0	(1,670)
Admin expenses	(556)	0	0	(556)
Remeasurements:				
actuarial gains/losses arising from changes in financial assumptions	0	503,150	0	503,150
other actuarial gains and losses	(47,049)	(105,092)	0	(152,141)
Council employers contribution	15,382	0	0	15,382
Retirement grants and pensions	(36,339)	36,339	0	0
Closing Balance at 31 March	891,135	(918,063)	0	(26,928)

The effect of the asset ceiling has been determined by the Scheme's actuaries on the basis of the limitation on the Council's ability to recover the full economic benefit of its assets through reductions in future employer's contributions because of the minimum funding requirement imposed on it by the funding strategy for the Scheme in place at 31 March 2024. Under this strategy, the Council has an obligation to fund a deficit of £64.262m.

The Scheme actuaries have assessed the Council's estimated future service costs less the estimated minimum funding requirement contributions to establish the economic benefit that is available to the Council. The net pensions asset has therefore been adjusted by this effect of the asset ceiling.

## 34.4 Scheme History (PCC)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £64.262m is shown as a negative balance and therefore has an impact on the net worth of the Council as recorded in the Balance Sheet. However the negative balance that arises measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2025 is £18.773m.

## 34.5 Basis for Estimating Assets and Liabilities (PCC)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2024.

Basis for Estimating Assets and Liabilities	2022/23	2023/24
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	21.8	21.5
women	22.9	22.7
Longevity at 65 for future pensioners:		
men	23.1	22.8
women	24.4	24.1
Rate of inflation (CPI)	2.95%	2.90%
Rate of increase in salaries	3.95%	3.90%
Rate of increase in pensions	2.95%	2.90%
Rate for discounting scheme liabilities	4.80%	4.90%

Impact on the Defined Benefit Obligation in the Scheme	Decrease in Assumption	No Change	Increase in Assumption
	£000	£000	£000
Longevity (increase or decrease in 1 year)	875,541	909,435	944,797
Rate of increase in salaries (increase or decrease by 0.1%)	908,503	909,435	910,374
Rate of increase in pensions (increase or decrease by 0.1%)	896,692	909,435	922,490
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	923,173	909,435	896,030

## 34.6 Total Assets (PCC)

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

Categories by Proportion of the Total Assets Held	2022/23	2023/24
	%	%
Equities	60	56
Gilts	0	0
Property	18	18
Cash	I	2
Other investments	21	24
Total	100	100

## 34.7 Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

Pension Assets and Liabilities Recognised in the Balance Sheet	2022/23	2023/24
	£000	£000
Present value of the defined benefit obligation	892,179	885,224
Fair value of plan assets	(891,135)	(975,097)
Net Liability	1,044	(89,873)
Other movements in the liability	25,884	24,211
Impact of Asset Ceiling	0	129,924
Net Liability Arising from Defined Benefit Obligation	26,928	64,262

## PENSION INFORMATION FOR TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE (TBTF)

## 34.8 Transactions in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement (TBTF)

Comprehensive Income and Expenditure Statement	2022/23	2023/24
	£000	£000
Cost of Services		
Service cost	856	455
Financing and Investment Income and Expenditure		
Net interest expense	140	40
Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services	996	495
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
return on plan assets (excluding the amount included in the net interest expense)	99	(247)
actuarial gains and losses arising on changes in demographic assumptions	(122)	(71)
actuarial gains and losses arising on changes in financial assumptions	(5,920)	(800)
experience gain/(loss) on defined benefit obligation	934	376
other actuarial gains/(losses) on assets	0	
Total Premeasurements Recognised in the Comprehensive Income and Expenditure Statement	(5,009)	(742)
Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(4,013)	(247)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(996)	(494)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year:		
Employers' contribution payable to the scheme	456	504

34.9 Assets and Liabilities in Relation to Post-Employment Benefits (TBTF)

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2022/23	2023/24
	£000	£000
Opening Balance at I April	(16,184)	(12,111)
Current service cost	(856)	(455)
Interest cost	(445)	(576)
Contributions from scheme participants	(124)	(143)
Re-measurement (gain) and losses:		
actuarial gains/losses arising from changes in demographic assumptions	122	71
actuarial gains/losses arising from changes in financial assumptions	5,920	800
experience loss/(gain) on defined benefit obligation	(934)	(376)
Benefits paid	390	589
Closing Present Value of Liabilities	(12,111)	(12,201)

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2022/23	2023/24
	£000	£000
Opening fair value of scheme assets	11,178	11,574
Adjustment to opening balance	0	(324)
Interest income	305	536
Re-measurement gain/(loss):		
the return on plan assets, excluding the amount included in the net interest expense	(99)	247
Contributions from employer	456	504
Contributions from employees into the scheme	124	143
Benefits paid	(390)	(589)
Closing Fair Value of Scheme Assets	11,574	12,091
Closing Balance at 31 March	(537)	(110)

The liabilities show the underlying commitments that the Joint Committee has to pay in the long run to pay post-employment (retirement) benefits. The total liability of £0.110m has an impact on the net worth of the Council as recorded in the Balance Sheet. However the negative balance that arises measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

The total contributions expected to be made to the Local Government Pension Scheme via the Joint Committee in the year to 31 March 2025 is £0.503m.

## 34.10 Scheme History (TBTF)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. The Cornwall Council pension scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2024.

## 34.11 Basis for Estimating Assets and Liabilities (TBTF)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2024.

Basis for Estimating Assets and Liabilities	2022/23	2023/24
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	20.2	19.6
women	22.4	21.7
Longevity at 65 for future pensioners:		
men	22.6	21.5
women	26.2	25.3
Rate of increase in salaries	3.00%	2.75%
Rate of increase in pensions	3.00%	2.75%
Rate for discounting scheme liabilities	4.75%	4.85%

## 35 Contingent Assets and Liabilities

## **35.1 Contingent Assets**

The Council has the following contingent assets to report:

## **Plymouth Airport**

Plymouth City Airport is let on 150 year lease from 2004. The Council's Lessee served notice of its intention to close the airport in December 2010 because of continuing trading losses. On 23 August 2011 the Council's Cabinet accepted the notice of non-viability from the Lessee following receipt of three independent reviews of the airport business and options for its financial viability. The Airport closed for business in December 2011. The Council's freehold and the Lessee's leasehold interest are due to be merged and the former Lessee will then be responsible for obtaining planning permission and marketing the site. Any eventual net land disposals proceeds will be divided between the Council and the former Lessee 75%/25% less certain deductions. However, the timing and amount of any such receipts, if any, is uncertain; and is subject to a review of strategic policies that are applicable to the site. In February 2024 the Council served Section 146 Notices on Plymouth City Airport Ltd (PCAL) as it considers that PCAL is in breach of the lease terms.

## **35.2 Contingent Liabilities**

The Council has no known material contingent liabilities to report.

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## **COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2024**

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to Local Authorities and the Government of Council Tax and Non-Domestic Rates.

	2022/23					2023/24	
Business Rates	Council Tax	Total		Note	Business Rates	Council Tax	Total
£000	£000	£000	Income		£000	£000	£000
0	(151,981)	(151,981)	Council tax receivable	I	0	(160,460)	(160,460)
(80,732)	0	(80,732)	Business rates receivable	2	(86,183)	0	(86,183)
(80,732)	(151,981)	(232,713)			(86,183)	(160,460)	(246,643)
			Expenditure				
			Apportionment of Previous Year's Surplus/ (Deficit)				
(21,146)	0	(21,146)	Central Government		4,748	0	4,748
(20,723)	(895)	(21,618)	Plymouth City Council		4,653	1,473	6,126
0	(127)	(127)	Devon and Cornwall Police and Crime Commissioner		0	222	222
(423)	(54)	(477)	Devon and Somerset Fire and Rescue Service		95	84	179
(42,292)	(1,076)	(43,368)			9,496	1,779	11,275
			Precepts, Demands and Shares				
38,443	0	38,443	Central Government		43,590	0	43,590
37,674	123,287	160,961	Plymouth City Council		42,719	131,300	174,019
0	18,204	18,204	Devon and Cornwall Police and Crime Commissioner		0	19,588	19,588
769	6,777	7,546	Devon and Somerset Fire and Rescue Service		872	7,249	8,121
76,886	148,268	225,154	Devoit and somerset rife and Rescue service		87,181	158,137	245,318
70,000	140,200	223,134	Charges to the Collection Fund		07,101	150,157	243,310
209	0	209	Renewable Energy Disregard		233	0	233
181	669	850	Write offs of uncollectable amounts		133	443	576
36	274	310	Increase/(Decrease) in Bad Debt Provision		213	1,565	1,778
(2,244)	0	(2,244)	Increase/(Decrease) in Provision for Appeals		(2,584)	0	(2,584)
0	0	0	Interest paid on refunds to ratepayers		80	0	80
308	0	308	Cost of collection allowance		306	0	306
(1,510)	943	(567)			(1,619)	2,008	389
(47,648)	(3,846)	(51,494)	(Surplus)/Deficit for the Year		8,875	1,464	10,339
			Collection Fund Balance				
39,265	(690)	38,575	Balance as at I April		(8,383)	(4,536)	(12,919)
(47,648)	(3,846)	(51,494)	(Surplus)/Deficit for the year (as above)		8,875	1,464	10,339
(8,383)	(4,536)	(12,919)	Balance as at 31 March		492	(3,072)	(2,580)
			Allocated to:				
(4,191)	0	(4,191)	Central Government		246	0	246
(4,108)	(3,762)	(7,870)	Plymouth City Council		241	(2,551)	(2,310)
0	(563)	(563)	Devon and Cornwall Police and Crime Commissioner		0	(381)	(381)
(84)	(211)	(295)	Devon and Somerset Fire and Rescue Service		5	(140)	(135)
(8,383)	(4,536)	(12,919)	Total Allocated		492	(3,072)	(2,580)

## **NOTES TO THE COLLECTION FUND**

## I Council Tax Income

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based on an estimated I April 1991 value for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority and the City Council for the forthcoming year and dividing this by the Council Tax base. The tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and estimated collection rates: 74,891 in 2023/24 (2022/23: 73,830).

The basic amount of Council Tax for a Band D property (2023/24: £2,111.56) is multiplied by the proportion specified for the particular band to give an individual amount due. The calculation of the Council Tax Base is shown in the following table:

Band	No of Properties Before Discounts	No of Properties After Discounts	Band D Equivalents	Estimated Collection Rates	Adjusted Band D Equivalents
Α	45,035	30,027	20,008	97.5%	19,508
В	31,882	25,930	20,168	97.5%	19,664
С	22,578	20,100	17,867	97.5%	17,420
D	9,520	8,770	8,770	97.5%	8,551
Е	4,950	4,681	5,721	97.5%	5,578
F	1,829	1,744	2,519	97.5%	2,456
G	560	531	885	97.5%	863
Н	29	22	43	97.5%	42
	116,383	91,805	75,981		74,082
Adjustment for MOD pr	Adjustment for MOD properties				809
Tax Base Totals		75,981		74,891	

The Council Tax Base was calculated at the time the 2023/24 budget was set, based on the estimated number of properties and value of discounts applicable to each band at that time. The estimated income, allowing for non-collection, was £158.137m (£2,111.56  $\times$  74,891). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £160.460m (2022/23: £151.981m).

## 2 Income from Business Ratepayers

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government, this was frozen at 51.2p for 2023/24 at the same level as the rate for 2022/23, the rate for properties in receipt of Small Business Rate Relief was kept at 49.9p.

The administration of NDR is governed by the Business Rates Retention Scheme which was introduced in 2013/14. This aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility of the NDR tax base and non-collection of rates due. In the case of Plymouth, the retained proportion of NDR income is 49 per cent. The remainder is distributed to preceptors: I per cent to the Devon and Somerset Fire and Rescue Authority (DSFRA) and 50 per cent to Central Government.

The business rates shares payable for 2023/24 were estimated before the start of the financial year as £43.590m to Central Government, £0.872m to DSFRA and £42.719m to Plymouth City Council.

These sums have been paid during 2023/24 and charged to the Collection Fund in year and include the previous year's surplus.

When the scheme was introduced the Government set a baseline funding level (based on local demand for services) for each authority and applied the system of tariffs and top-ups to ensure all authorities receive their baseline amount. In 2023/24 Plymouth had a baseline amount of £60.518m and received a top-up of £15.077m which was charged to the General Fund and included in note 14.

In addition to the top-up and tariffs, a safety net figure is calculated by Central Government. This mechanism is designed to protect local authorities from large fluctuation in their business rates income. The safety net threshold for Plymouth is £55.979m. As our adjusted retained income is above this level no safety net payment was due to Plymouth for 2023/24.

Section 31 Grant funding for Business Rate reliefs awarded by Central Government in 2023/24 was £17.992m based on the original estimates made in January 2023. Under the rates retention scheme local authorities became liable for their share of the liability arising from the in-year and backdated impact of successful business rate appeals. Based on the analyses of previous year trends and the list of outstanding appeals provided by the VOA as at 31 March 2024 the Council included a provision of £9.688m.

For 2023/24, the total non-domestic rateable value at the end of the year was £241.199m (2022/23: £227.710m).

## 3 Precepts and Demands

## 3.1 Council Tax

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

## 3.2 Non-Domestic Rates

As described previously in note  $\underline{2}$ , the administration of NDR is governed by the Business Rate Retention Scheme.

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.





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18 February 2025

Dear Grant Thornton UK LLP

## Plymouth City Council - Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Plymouth City Council for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## **Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include land and buildings valuations, investment property valuations and the valuation of the net pension fund liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the

- estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have considered whether the Council are required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised on the grounds that
  - i. a Collective Agreement was reached in May 2000 with the recognised trade unions as part of the single status agenda
  - ii. the Council has adopted the equality proofed National Joint Council (NJC) for Local Government's Job Evaluation Scheme which ensures that work of equal value is allocated to the same salary banding, progression within which is determined by performance. The Scheme is regularly updated to comply with equal pay legislation
  - iii. the Council's Pay Policy Statement determines its approach to pay and the Human resources Committee ensures the provisions set out in the statement are applied consistently throughout the Council
  - iv. role and working arrangements whereby individuals or groups may work less time that their contractual hours do not exist in the Council and the group as services where these practices might arise have been contracted out

- xiv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
  - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and
  - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.
- xvi. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements
- xvii. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

## **Information Provided**

- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xx. On 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2023/24 of 28 February 2025. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2024 by the statutory backstop date. This is due to disclaimed opinions being issued on the 2021/22 and 2022/23 financial statements which in turn impacts on the opening balance position for the 2023/24 financial year. This includes the following:
  - a. providing you with:
    - access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
    - ii. additional information that you have requested from us for the purpose of your audit; and
  - iii. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
  - b. communicating to you all deficiencies in internal control of which management is aware.
  - c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - i. management;
  - ii. employees who have significant roles in internal control; or
- iii. others where the fraud could have a material effect on the financial statements.
- e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## **Annual Governance Statement**

xxi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

## **Narrative Report**

xxii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

## **Approval**

The approval of this letter of representation was minuted by the Council's Audit & Governance Committee at its meeting on 18 February 2025.

Yours faithfully		
Name		
Position		
Date		
Name		

Position	
Date	

Signed on behalf of the Council



# **ANNUAL GOVERNANCE STATEMENT 2023/2024**



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Scope of Responsibility and Purpose of the Governance	Statement of Assurance and Certification	The Corporate Plan	The Assurance Framework - The Three Lines of Defence	Plymouth City Council's Corporate Governance Framework	Key Governance and Delivery Areas
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# SCOPE OF RESPONSIBILITY AND PURPOSE OF THE GOVERNANCE FRAMEWORK

## Scope

OFFICIAL

Plymouth City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Plymouth City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Council's functions which includes arrangements for the management of risk.

requirements of Regulation 6(1) of the Local Government, England and Wales Accounts and Audit Regulations 2015, which requires all relevant bodies This Annual Governance Statement explains how the Council has complied with the Code of Corporate Governance and also how it meets the to prepare an annual governance statement.

## Purpose

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, effectively and economically. The governance framework has been in place at Plymouth City Council for the year ending 31 March 2024 and up to the aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, date of the approval of the Statement of Accounts.

## Page 3 of 55

## STATEMENT OF ASSURANCE AND CERTIFICATION

OFFICIAL

arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will We propose over the coming year to take steps to address the matters described at page 18 onwards, to further enhance our governance monitor their implementation and operation as part of our next annual review.

Leader of Plymouth City Council Councillor Tudor Evans Dated:

Chief Executive Tracey Lee Dated:

Director for Finance Dated: David Northey

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## THE CORPORATE PLAN

OFFICIAL

Plymouth'. It was approved by Council in June 2023, The Plymouth City Council Corporate Plan 2023-2026 sets out our mission to 'build a better and replaced the plan in place since 2021

through specific programmes and projects which are The new Corporate Plan priorities will be delivered coordinated and resourced through the Plymouth Plan, capital investment, directorate business and delivery plans. The Corporate Plan Performance Report is updated on a quarterly basis and presented to Corporate Management Team, Cabinet and Scrutiny committees.

## **BUILD A BETTER PLYMOUTH OUR PLAN**



## CITY VISION: Britain's Ocean City

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

Plymouth Britain's Ocean City

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

## WE BELIEVE IN:



CO-OPERATION FAIRNESS

## WE WILL:

Make Plymouth a great place to grow up and grow old

## Working with the Police to tackle crime Fewer potholes, cleaner, greener streets and transport and anti-social behaviour

Build more homes - for social rent and affordable ownership

Focusing on prevention and early intervention

Spending money

Trusting and engaging our communities

Providing quality public services

DOING THIS BY:

OUR PRIORITIES:



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

Keeping children, adults and

Being a strong voice for Plymouth engaging our staff

**Empowering and** 

vww.plymouth.gov.uk/ourplan

ANNUAL GOVERNANCE STATEMENT 2023/2024

Regulator

External Audit

3rd Line of Defence

2nd Line of Defence

1st Line of Defence

Audit and Governance Committee / Governing Body

Senior Management

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# THE ASSURANCE FRAMEWORK - THE THREE LINES OF DEFENCE

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The Three Lines of Defence Assurance Model is used as the primary means to demonstrate and structure roles, responsibilities and accountabilities for decision making, risk and control to achieve effective governance and assurance. The diagram below shows the relationship between these functions:-

## Management Controls First Line of Defence and Internal Control Measures

responsible for ensuring that a risk management and periodic emerging risk changes. Active risk and control environment reporting on risk is crucial to risk definitions and make risk assessments. The risk profile is established as part of daymodified for changes to the adequately skilled to create business environment and to-day operations. Line management should be needs to be proactively reviewed, updated and quick identification and Line management are response.

assurance by identifying risks and business improvement controls and reporting on The first line of defence actions, implementing provides management

objectives.

## Defence - Oversight Second Line of

related information) and all categories of organisational assessment and response, to communication of risk framework (from risk and second lines of assurance on the identification, risk risk management internal governance. This management practices by information up and down ine of defence monitors operational management are usually management functions that may have the organisation. These several components of objectivity but are not adequate risk related entirely independent activities covered by owners in reporting defence consists of and assists the risk he second line of implementation of rom the first line. and facilitates the some degree of effective risk **Functions** 

## work, provide assurance to effectively the organisation independent internal audit risk-based approach to its assurance will cover how Third Line of Defence assesses and manages its third line of defence. An the organisation's senior function will, through a Internal audit forms the risks and will include management. This

## External auditors and regulators reside outside the council Internal Audit **External Auditors and Regulators** Compliance, Regulation & Information Management Performance Management Financial Reporting Risk Management Health & Safety Internal Control Measures Management Controls defence. It encompasses all elements of the Council's effectiveness of the first

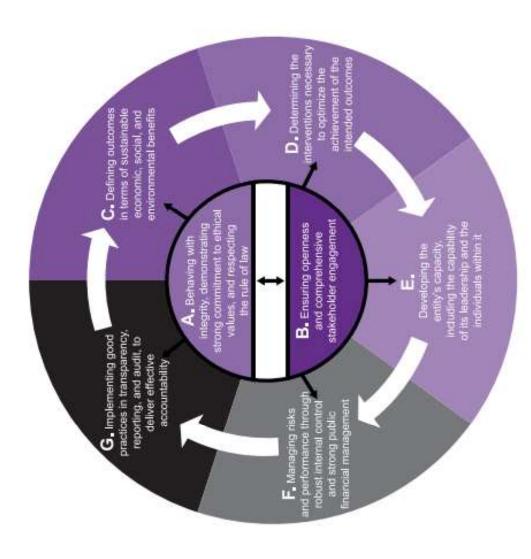
structure but have an important role in the overall governance and function to assess the whole, or some part of the first, second or control structure by providing an independent and objective third line of defence.

## Audit and Governance Committee's Role

All three lines of defence have specific tasks in the internal control effectiveness of internal controls and risk management processes, Committee's role to maintain oversight and to monitor the governance framework. It is the Audit and Governance as well as internal audit activities.

# PLYMOUTH CITY COUNCIL'S CORPORATE GOVERNANCE FRAMEWORK

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The Council's Code of Corporate Governance is consistent with the principles of the CIPFA/SOLACE 2016 Framework Delivering Good Governance in Local Government.

This diagram illustrates how the various principles for good governance in the public sector relate to each other. To achieve good governance the Council should seek to achieve their intended outcomes while acting in the public interest at all times.

As overarching requirements for acting in the public interest, principles A and B apply across all other principles (C - G).

A high-level summary of the Council's local arrangements in place for 2023/24 to comply with each of the principles is set out below.

Details within the Code and the Annual Governance Statement aim to provide assurance that:-

- the Authority's policies have been complied with in practice;
  - high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- Performance statements are accurate.

OFFICIAL

- Council's Constitution
- Schemes of Delegation
- Committee Structure
- Corporate Plan
- Codes of Conduct
- Anti-Fraud, Bribery and Corruption Policy
- Whistle Blowing Policy
- Statutory Officer Roles
- Register of Interests/Hospitality
- Protocol for Member Officer Relations
- Risk and Opportunity Management Strategy
- Whistleblowing Policy
- Customer feedback and complaints

- governance arrangements to ensure compliance with its Code of Corporate Governance. The Council's organisational values are underpinned by its system of internal control and
- Governance in Local Government Framework 2016 and has been reviewed in light of the The Council's Local Code of Corporate Governance (appendix 2) as described in this Governance Statement has been reviewed in line with CIPFA/Solace Delivering Good Financial Reporting Council updated Code of Corporate Governance issued in 2018.
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law is acknowledged as key to the delivery of good governance and underpins the delivery of council priorities and services for the community.
- and Protocols within the Council's Constitution. Arrangements are in place to ensure that The standards of conduct and personal behaviour expected of Members and Officers, its partners and the community are defined and communicated through Codes of Conduct Members and Officers are aware of their responsibilities under these Codes and Protocols.
- Elected Members are collectively responsible for the governance of the Council. Decision making and scrutiny of decisions has been separated through the executive arrangements introduced by the Local Government Act 2000.
- insight to inform decision-making are all elements of our plans, equipping Councillors to problem solving arrangements, reliable casework handling and feedback and customer Ward-based governance and engagement arrangements for Councillors, multi-agency do their job. The Councillor's toolkit can be accessed here.
- maintaining a record of the concerns raised and outcomes, which will be reported to the The Head of Devon Audit Partnership has overall responsibility for the maintenance and operation of the whistleblowing policy. This includes monitoring the policy and Audit and Governance Committee in an anonymised format.
- Arrangements are in place for Members and Officers to declare gifts and hospitality and to register interest and manage conflicts of interest.



- Customer complaints
- Committee meetings <u>webcast</u> and <u>agendas</u> published
- Plymouth City Survey
- Annual Reports
- Partnerships
- Social media pages

improve service quality and foster good relationships between staff, Members and stakeholders. effective service delivery. Communication supports the decision-making process and helps to meeting the Council's corporate ambitions and framework of values and regarded as key to Ensuring openness and comprehensive stakeholder engagement is considered essential in

- preparing planning documents or consulting on planning applications. The document also sets The Statement of Community Involvement (SCI) sets out the minimum requirements for consultation and involvement that must be followed by the LPAs of the Councils when out how the LPAs will support groups undertaking neighbourhood planning.
- partnership, Plymouth Safeguarding Children's Partnership continue to review representation Partnerships including; Health and Wellbeing Board, Safer Plymouth, Safeguarding Adults and where appropriate includes greater community and voluntary sector representation.
- inequalities in the city. 'One You' campaign launched to help adults to assess the lifestyle choices Thrive Plymouth was launched in 2014 and is our local 10 year programme to address health they are making, to consider how those choices might impact on their health now and in the future, and to consider the steps they can take to make their lifestyles healthier.

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- feedback and complaints to facilitate effective monitoring of information provided by customers to review future service delivery. There is a formal process for corporate complaints as well as The Council has a system for recording Customer Feedback which enables learning from for Children's and Adults Statutory complaints.
- Committee meetings, including Full Council and Cabinet are webcast live and archived as part of our drive to make our decision making more open and transparent. Performance information, including financial performance is regularly review by the Executive and Scrutiny in public.



- The Plymouth Plan
- Plymouth Report
- <u>Statement</u> of Accounts
- The Plymouth Local Care Partnership System Plan
- The Plymouth and South West Devon Joint Local Plan
- Treasury Management and Capital Strategy

- waterfront cities, where an outstanding quality of life is enjoyed by everyone'. That means everyone working together towards our shared ambition to be a democratic, responsible, Our Corporate Plan is focused on our vision to be 'one of Europe's most vibrant fair and collaborative city.
- The Plymouth Plan provides the strategic direction for decision making in the city. It brings together all statutory and non-statutory plans forming a holistic strategy for people and place.
- The Council uses its operating model to develop more appropriate outcomes for people and more effective service delivery, standardising, simplifying and sharing wherever possible, through the Plymouth Family or wider partnerships.
- health and care services for people across Devon in a way that is clinically and financially The Plymouth Local Care Partnership System Plan sets out ambitious plans to improve sustainable.

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where to build homes, where roads should go and how to ensure economic growth and Devon and the South Hams. We carried out a major consultation asking people where The Plymouth and South West Devon Joint Local Plan looks at the big issues, including and should be set aside for homes and work and what should be protected as green prosperity for Plymouth residents and those living in the towns and villages of West

Principle D – Determining the optimise the achievement of interventions necessary to the intended outcomes

OFFICIAL

- Medium Term Financial Strategy
- **Business Planning**
- <u>Cabinet</u>
- Overview and Scrutiny Committees
- Accountability Framework Performance and
- Performance Reports Corporate Plan
- Key Performance Indicators
- Service Standards
- Portfolio Holder meetings
- Complaints procedure
- Audit reports

The Medium-Term Financial Strategy (MTFS) sets out how the Council will finance the priorities for the Council, having regard to the Plymouth & South West Devon Joint Local Plan and the Corporate Plan.

- The system of internal financial control is based upon a framework of regular administrative procedure and a structure of delegation and accountability. management information, financial regulations, Contract Standing Orders,
- financial records and accounts and maintaining an effective system of internal financial ensuring that appropriate advice is given on all financial matters, for keeping proper The Section 151 officer, as documented in the Constitution, has responsibility for
- Cabinet is our main decision making body, made up of the Leader of the Council and a number of Councillors.
- Scrutiny provides an important check and balance within the governance system on the decisions of Cabinet and the Leader and acts as a 'critical friend' to the Cabinet and The scrutiny function is delivered through the Overview and Scrutiny Committees. other decision makers in order to promote better services, policies and decisions.
- protection of public funds and to have an effective system of prevention and detection The Corporate Fraud Team fulfils the Council's statutory obligation to ensure the of fraud and corruption.
- Key performance indicators are used to track performance of the Council's priorities as outlined in the Corporate Plan.
- Service Standards have been implemented across the Council to improve the way we listen and respond to our customers.
- Internal Audit partners undertake an annual review of audits to identify key themes, themes that are considered for action by Corporate Management Team. This is considered good practice.

Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it

OFFICIAL

- Organisational Design
- Smart working
- People Strategy
- Annual staff survey
- Annual Staff 'Star Awards'
- eLearning
- Councillor Development Programme
- Apprenticeship Programme
- Management Driving Licence eLearning Package
- Staff performance discussions
- Staff Wellbeing and Resilience Survey

An Organisational Effectiveness process is being developed to shape the organisation and ensure its alignment to the purpose of the Council and the context in which it operates.

through website improvements, digital processes and workflows created and improved Directorate and is continuing to improve digital activities for customers and staff Digital Services is now fully owned and operated from within the Resources reporting mechanisms being used.

Opportunities for new income streams are reviewed regularly by all services.

motivated, engaged and skilled workforce focused on meeting the needs of the citizens Our People Strategy is our high level medium term plan for how we will provide a of Plymouth.

Annual staff survey

Management Fundamentals Training Programme

Annual Staff 'Star Awards'

Induction training carried out for new Members and employees

E-Learning utilized

Apprenticeship Programme

Management Driving Licence (compulsory E-Learning to be completed by all current managers and available for aspiring managers)

Principle F – Managing risks and performance through robust internal control and strong public financial management

- Performance and Accountability Framework
- Corporate Plan performance report
- Corporate Plan performance report
- Departmental Performance Scorecards
- Risk and Opportunity Strategy
- Strategic Risk Register
- Operational Risk Register

Management Strategy and Policy and guidance are available for staff on the Council's website The Council consider and counter risk across a broad range of areas. An approved Risk together with E-Learning.

- Risks are formally reviewed and monitored quarterly by the Corporate Management Team and reported to the Audit and Governance Committee.
- Risks to planned outcomes are considered as part of the business planning process.
- Alignment of risk information with performance management has been improved this year with strategic risk updates now being included within operational performance reports, scrutinised monthly by services.
- A Joint Integrated Commissioning Risk Management Framework has been developed with NHS Devon ICS to support our joint co-operative commissioning approach.
- information assets and the Management of Information Security Forum ensure there is clear Information Lead Officer Group direct work streams within the overall governance of direction and visible management support for security initiatives.

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Council premises are monitored by the Health, Safety & Wellbeing Steering Group via HSW Risks that threaten the health, safety and wellbeing of employees and other people using

OFFICIAL



- The Devon Audit
   Partnership Internal Audit
   Plan
- External Audit
- The Audit and Governance Committee
- Overview and Scrutiny Committees

## Internal and External Audit

the high risks reported within risk registers and is presented to and approved by the Audit and economy, efficiency and effectiveness are reviewed by the external auditors on an annual basis. The Devon Audit Partnership (DAP) has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon Councils. DAPs Internal Audit Plan is based on Governance Committee in March. The plan is published on the Council's website with the Their Annual Report provides a summary of the activity undertaken during the year. They Audit and Governance Committee agenda. The Council's arrangements for providing also review the Annual Governance Statement.

## **Audit and Governance Committee**

the financial reporting process. The Committee has two independent members and a vacancy independent assurance of the adequacy of the internal control environment, and to oversee An effective Audit and Governance Committee is in place whose purpose is to provide for one other.

governance arrangements, financial reporting, internal control system, risk management system and internal and external audit functions. In line with good practice, Audit and Governance The Audit and Governance Committee monitor and review the Council's corporate Committees should assess their effectiveness annually.

## **Overview and Scrutiny Committees**

another way to monitor audit reviews and associated recommendations. The Overview and The scrutiny function is delivered through the Overview and Scrutiny Committees, and is Scrutiny Committees for 2023/2024 were;

Growth and Infrastructure

Education and Children's Social Care

Health and Adult Social Care

Performance, Finance and Customer

## **KEY GOVERNANCE AND DELIVERY AREAS**

Overall we can confirm that the Council has the appropriate systems and processes in place to enable good governance. During the course of 2023/24 the following actions have been completed on the basis of recommendations from internal and external audit, Council Members and Officers.

ſ		Page 210	)
	Reported Through	Corporate Management Team Audit and Governance Committee Scrutiny Council	
	Assurance Statement	Immediate actions were taken by the Council in 2021 to address the recommendations made. Formal guidance was issued concerning new and innovative transactions which was first considered by the Audit and Governance Committee in October 2021 and agreed in November 2021.  The Council continues to enhance governance procedures. Decision making guidance for report authors and decision makers has been prepared and training sessions have been undertaken by directorates, most recently the People directorate 12/06/24. These sessions will continue to run throughout the year and at the request of any officer who requires further assistance through the Democratic Support Team and Monitoring Officer.	Corporate governance templates have been amended and are available for officers through the intranet. A financial risk section has been incorporated on the corporate templates and advice and guidance has been provided to the report authors through training sessions.  Scrutiny processes were reviewed during the 2022/23 and 2023/24 municipal years and changes agreed at the Annual General Council meeting in May 2024. This has strengthened the role of the Scrutiny Management which now includes oversight of the forward plans, this ensures that all key decisions are considered for the Scrutiny Work Programme.  The Risk and Opportunity Management Strategy was updated 28 November 2023, to provide improved guidance on strategic, operational and financial management, better decision making and improved compliance. This makes clear examples that may be considered a financial risk and how to mitigate them.
	Lead Officer	David Northey / Ross Jago	
	Governance Issue	External Audit Recommendations A number of recommendations from the governance review undertaken with external auditors were made at the meeting of the Audit and Governance Committee in July 2021 and subsequently, concerning decision making.	

OFFICIAL

External and Internal Auditors and review of the tracking system is a standing Advice on interests is available from Democratic Support and the Monitoring by the Corporate Management Team, Audit and Governance Committee and The Audit and Governance Committee Terms of Reference was reviewed by The Code of Conduct was reviewed and approved at City Council 21 March 2022. All members receive a copy of the Code of Conduct when elected and included as part of the Monthly scorecard. Strategic risks are also reviewed transparent any financial and non-financial interests and relationships which Strategic Risks and financial risks are provided for DMT discussion and are delivered by an external provider on the 28 June 2024 and all members of Officer and Councillors are reminded weekly via the member's bulletin to A tracking system is now in place for recommendations, actions from the could lead to a potential conflict within their role or ability to deal with a item on the Audit and Governance Committee for the 2024/25 Municipal Annual training is provided to members, additional enhanced training was Further advice and guidance have been offered to managers through the <u>Declarations of interest guidance</u> for Officers has been agreed. Officers Audit and Governance Committee and Subsequently approved by City A Self-Assessment is being undertaken in advance of an agenda item at update their Registers of interests which can be found on their "Your Officers Submit Declarations of Interest via Firmstep form to make submit declarations of interest via the online system firmstep. lunch and learn sessions on how to identify and manage risks. particular piece of work as an employee of the council. receive training at the beginning of the municipal year. September's Audit and Governance Committee. Year (External and Internal Audit Action Log). the committee completed the training. the relevant Scrutiny Committees. Council in January 2022 Councillor Pages"

Training sessions and guidance has been provided and Team Plymouth have a 100% completion rate.  All internal legal advice is formally documented. Guidance to Senior Lawyers will be reviewed and discussed again at the away day 20 June 2024. Legal sections will be added to relevant corporate templates during July 2024  The approach to consultation with external auditors has been communicated and agreed with Grant Thornton for future decision. An example of this is recent consultation in relation to the Habitat Banking Vehicle and Chelson Meadow Solar Farms. Members of the Audit and Governance Committee and Growth Scrutiny Committee also received a briefing on each project.  All Statutory Officer attends Corporate Management Team meetings	Ross Jago Over the last twelve months members of the Audit and Governance Committee joined with other councillors in a working group to review gaps in procedure and conflicting provisions within the Constitution which had been identified during the course of the 2022/23 municipal year.  Team Member Task Changes were made to the following sections –  Part A – Articles  Part B – Council Procedure  Petition Scheme / Guidance  Petition Scheme / Guidance (as a result of Council Referral)  Part E of the constitution  Part D, Overview and Scrutiny Committees  Changes were discussed at an Officer Governance Working Group, Member Task and Finish Group, Audit and Governance Committee and Council.	Ross Jago A new risk management process for organisational risk was implemented in Audit and January. The new process was subject to a "lunch and learn" in January 2024 Governance and is supported through our Risk Management Pages on the staff intranet.
Trainii 100% All int will be section The ap and ag recent Meadc Growf		
	Constitution  The constitution was identified in the Annual Governance Statement (AGS) 2023 as requiring an update as a result of issues which developed in the course of the 2022/23 municipal year.	Risk  Identified in the AGS 2023 as an area of focus which recommended that Clear

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Corporate Management Team	Cabinet Audit and Governance Committee Corporate Management Team	Cabinet Audit and Governance Committee Corporate Management Team
Since the launch of the risk management pages they have been reviewed by 252 unique users accessing the pages 653 times over the period (27/01/2024-24/04/2024). This could be seen to represent a significant increase in engagement in the risk management process.  The new process is beginning to yield results and discussions concerning the possible utilisation of similar tools for service level risks are underway.  The Corporate Management Team (CMT) continue to maintain oversight of the key risks facing the Council. CMT have recently conducted a risk identification workshop as part of the process to update the strategic risk register with further workshops planned for the future.	The Corporate Management team have been provided a briefing on Health, Safety and Wellbeing development actions following the review and the appointment of the new Head of Health, Safety and Wellbeing in September 2023.  A revised Health, Safety and Wellbeing Policy has now been published.  A Health, Safety and Wellbeing steering group has been established and will maintain oversight of key Health and Safety Risks alongside, the Corporate Action Plan and Management Tool Kit.	Based on work performed to date during 2023-24, our experience from the current year progress and previous years audit, the Head of Internal Audit's Opinion on the adequacy and effectiveness of the Authority's internal control framework is one of "Reasonable Assurance".
	Kirsty Spencer	Louise Clapton
reporting of risk are established in the Performance Management Framework and the Risk and Opportunity Management strategy.	Health and Safety A review of Health, Safety and Wellbeing processes and procedures was undertaken and recommendations were made for improvement.	Internal Audit Audit opinion of the effectiveness of Internal Controls.

Whilst we are satisfied that these work well, reviews have identified the following governance issues and key delivery areas of concern. The following areas received a judgement of Limited Assurance in internal audits conducted in 2023/24, these are areas of concern that may impact on our system of

internal control. Management have taken action in the 2023/24 financial year and further actions are planned across 2024/25. These are presented alongside an assurance statement on how we will manage the issues raised.

Reporting Through	People Directorate Management Team  Anagement Team	People Directorate Management Team
Progress / Assurance Statement	Guidance and procedures are being created as recommended and were in place at the end of April 2024. The guidance document will include information concerning authorisation checks for care packages and batching.  Brokerage staff are given appropriate training, and this is ongoing.	Legal Services have prepared a flowchart overview to assist officers in ensuring they collect and record the correct information to support Legal Services.  The management team continue to monitor performance regularly and the team are also reviewing proposals for robotic automation, which will offer scope for efficiencies over the coming 12 months.
Lead Officer	Brokerage - Direct Payments Manager Business Support: Team Leader, Digital & Customer Experience  Target Date: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25	Head of ASC and Retained Function  Target Date: Expected to implement agreed
Key Delivery Area	Limited Assurance - Adult Social Care Payment System  The Audit identified - An opinion of Limited Assurance was given due to the failure of three controls in preventing overpayments. An opinion of Limited Assurance was given due to the failure of internal controls. Mitigation of overpayment risk will be strengthened through implementation and embedding planned:  • Guidance, including gatekeeping checks,  • Training for new staff,  • Supervision of gatekeeping checks by inexperienced staff, and;  • Updated exception reporting	Limited Assurance - Client Financial Services (CFS)  The Audit identified - Some slippage regarding training for Livewell SW

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Reporting Through		Resources Directorate Management Team
Progress / Assurance Statement	All outstanding debts, are reviewed periodically however, due to volumes and pressure on resource, the team have to make decisions on how frequently they review debt cases.  The current 'scoring matrix' has been reviewed to ensure old cases receive a level or priority. The current software (Casper) is due to be upgraded in the coming months (to CasparCloud) which allows additional functionality which should offer efficiencies that may allow deputies to increase their current caseload.  Regular meetings have been set up between Legal and Income Recovery to ensure that progress on cases is discussed.	Management is currently in the process of updating the I&CM policy. Management will continue to escalate issues of large debts from single debtors to the Section 151 Officer.  The team review managed accounts on a periodic basis. In general, the team will prioritise those debtors with high levels of debt and who continually fail to pay on time.  The task of monitoring suspended accounts/invoices has been passed to new, additional resource.
Lead Officer	recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25	Head of Revenue, Benefits and Service Centre  Target Date: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via
Key Delivery Area	client contributions Resource issues which have resulted in an increase in the backlog of referrals awaiting assessment in CFST and delays remain for Deputyship cases to be allocated. Gaps between contacting financial representatives made it easier to stall or complicate completion of financial assessments. Delays within the Court of Protection processes which are totally outside of the control of the Council.	Limited Assurance - Debtors  The Audit identified -  Outstanding sundry debt has risen in the financial year 2023/24. Senior management are aware and audit have been informed that steps are being taken to resolve this.  Extra resource has been put in place within the

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Reporting Through	Page 216	Place Directorate Management Team
Progress / Assurance Statement		A recommendation to update the Civil Enforcement Officer (CEO) handbook has been added to the Enforcement Service Action Plan in respect to clarifying the use of digital solutions over previous pocket books/notes.  Operating procedures are to be updated to clearly set the guidance around spoilt PCN's.  The Enforcement Service Action Plan includes an action to undertake a 'gap analysis' of all policies and procedures relating to the Enforcement Service along with a review of these and the requirement to have a central area where such documentation is stored.
Lead Officer	Internal Audit and confirmation in AGS 2024/25	Group Manager  Target Date: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25
Key Delivery Area	Income Recovery team but it is too early to give an opinion as to whether this will have an effect on the amount of debt outstanding.  New processes have or are being put in place and all outstanding debts are in the process of being reviewed  The Income and Credit Management Policy (I&CM) has not been updated since October 2017 although it is underway to rectify.	Limited Assurance - Issuing, Appeals and Cancellations of Penalty Charge Notices (PCNs)  The Audit identified -  • Whilst policies and procedures are in place, they are not always strictly adhered to and working practices have become outdated or missing.  • There is a Parking Enforcement Action Plan

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Reporting Through		Corporate  Management  Team  Childrens Services Directorate  Management  Team  SEND Improvement Board
Progress / Assurance Statement	The Enforcement Action Plan also includes a wide 'skills and training analysis' centred around investment in staff, both in new skills and refresher training.  Complimenting this, a new performance management framework is being introduced which will see regular reports on various data and trends critical to establishing a high performing service; this includes significant data around PCN's including spoilt tickets.  Supervisors will review and discuss this data with the Enforcement Manager/Group Manager on a monthly basis.  Perception and opinion around the basis of cancellation will be resolved through strict application of policy and operating procedures, where the data will clearly illustrate the reasons for any cancellations.	The Plymouth Special Educational Needs and Disabilities Strategy 2023 – 2026 has now been formally published.  The SEND improvement board is responsible for the delivery of the SEND Strategy.  The Improvement Board is a new Board with an Externally appointed facilitator.  Risks to the delivery of the SEND Strategy and Improvement Plan will be monitored by the Board. The SEND Delivery Group responsible for delivery of the Plan sit underneath the Improvement Board report risks to delivery.
Lead Officer		Head of SEND  Target Date: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25
Key Delivery Area	in place which deals with a number of the issues identified in the Audit.	Limited Assurance - SEND Governance  The Audit identified - SEND governance arrangements are not yet embedded and integrated and arrangements could be further strengthened.

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Reporting Through	Corporate Management Team Childrens Services Directorate Management Team SEND Improvement Board	Corporate Corporate Management Team Childrens Services Directorate Management Team SEND Improvement Board
Progress / Assurance Statement	The Single Multi-Agency Panel (SMAP) is the decision-making authority with regard to authorisation of placements and associated costs.  The Scheme of Delegation sits within the Terms of Reference for SMAP. Both the terms of reference for the SMAP and decision-making process will be reissued with refreshed guidance.  DMP will be reviewed to ensure appropriate membership and timely decision making to ensure post 16 transitions are agreed within timescales.  Capacity issues have resulted in a backlog of SMAP applications and therefore focus is on statutory duties.  A review of the 0-25 team and decision-making processes including a relaunch of processes and communications to staff will mitigate the risks associated of untimely payments.	Commissioning has supported the transfer of any information currently held in Commissioning files to a SEND case management system.  One centrally held list is being agreed between Finance, Commissioning and the EHCP team. The central list will store key information in relation to placement, start and finish date, transition, attendance.  Individual pupil information is stored in the child file held on capita and as part of the review taking place, the capita folders are being cleansed and updated.  A working group has been formed to deliver written processes and guidance on the commissioning, contracting and oversight of externally commissioned SEND education placements.  All contracts are being reviewed to ensure appropriate record keeping.
Lead Officer	Head of SEND  Target Date: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25	Head of SEND  Target Date: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25
Key Delivery Area	Limited Assurance - SEND Decision Making The Audit identified - The decision-making process within SEND and the 0-25 team was under review. Further action plans are required to ensure progress is made on development work.	Limited Assurance - SEND Commissioning and Contracting The Audit identified - Procedures and systems in place for the commissioning and contracting of SEND external educational placements would be improved.

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Reporting Through		Corporate Management Team Childrens Service Directorate Management Team SEND Improvement Board
Progress / Assurance Statement	The SEND Communication Plan is overseen by the SEND Improvement Board. The SEND Improvement Project Manager is working with PCC's Communications and Engagement Advisor to design a partnership plan with colleagues in Health, Schools and Plymouth Parent Carer Voice.  The department recognises many placements do not provide value for money within this sector and are seeking to address this as part of the sufficiency programme taking place, documented in the EPS directorate improvement plan.	A new decision-making group has been put in place to agree the placement of children in independent non maintained specialist provision. The decision-making group meets weekly. There is a planned agenda, notes are recorded to document decisions and the outcomes of the group are submitted to the service director for approval.  A lead specialist placement officer is now responsible for working with the specialist team to agree the level of funding.  Reviews are underway for all children placed in non-maintained specialist provision. Work is taking place to confirm providers with inadequate OFSTED rating and monitoring processes put in place.  Due regard is taken for all new placements to ensure the provision has at least a good OFSTED rating.  The lead officer for specialist provision is also responsible for the monitoring and reviewing of children and to ensure a minimum attendance of 90% and that the EHCP annual review process is adhered to.  Children and schools causing concern form the basis of weekly monitoring and monthly reporting, which has recently been developed.
Lead Officer		Head of SEND  Target Date: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25
Key Delivery Area		Limited Assurance - SEND  Monitoring and evaluation  The Audit identified - Procedures, processes and systems in place for the monitoring and evaluation of SEND contracts and external educational placements could be improved

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Reporting Through		Corporate Management Team Childrens Services Directorate Management Team SEND Improvement Board Board Board Corporate Board Co
Progress / Assurance Statement	Commissioning is working with EPS on contractual expectations for the providers and to ensure that any requirements are included in IPA's Surveillance of the local market will be undertaken by the SEND Commissioning Officer as part of ongoing market development.	A proposal for a dedicated SGO Team has now been agreed. This will create a dedicated SGO Support Team within Children's Social Care and a Finance Assistant will sit within the team to ensure the join up with Client Financial Services.  Howcharts will be reviewed in light of revised processes following the implementation of Eclipse and for when a dedicated SGO team is in place.  The initial development of the SGO Team will establish:  A 'front door' page hosted on the PCC website, including contact details, resources, policies and guidance leaflets;  Development of a suite of leaflets and guides for children and young people, prospective special guardians, birth family and Special Guardians;  Policy and procedure for accessing SGO Support post order;  Policy and procedure for the delivery of SGO Support, reviewing SGO Support Plans and financial assessments.
Lead Officer		Head of SEND  Target Date: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25
Key Delivery Area		Limited Assurance - Special Guardianship Orders (SGO) Follow Up  The Audit identified- Improvements have been made but associated risks are not yet sufficiently mitigated due to some significant weaknesses in the internal control framework.

In addition to internal audit recommendations the following key governance considerations will be addressed in 2024/25.

Key Delivery Area	Lead Officer	Assurance Statement	Reporting Through
Governance Review	David Northey	During the course of 2024/25 the Council will work with Government	Corporate
	Target Date:	appointed testewers to didde taken a governance review.	Management Team

Key Delivery Area	Lead Officer	Assurance Statement	Reporting Through
The Council has requested Exceptional Financial Support (EFS) from DLUHC in the form of a Capitalisation Direction.  An outstanding issue remains over the transaction made in October 2019, which has been reported regularly to the Audit and Governance Committee, relating to a transaction we made to significantly reduce the cost of a pension deficit.  An 'in-principle' letter was received from DLUHC on 27 February 2024 stating that the Secretary of State is minded to approve a capitalisation direction.	Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit and confirmation in AGS 2024/25	A programme of work is being developed and expected to be implemented by the end of the 2024 calendar year.	Cabinet Audit and Governance Committee Council
Family of Companies  Some respondents to the SLT survey hold responsibility for companies within the family of companies. All reported compliance with guidance set out in the Local Authority Owned Companies: A good practice guide.  Whilst some areas are able to provide evidence of key governance documents (Annual Reports, Articles of Association etc) in relation to	Liz Bryant  Target Date: Expected to implement agreed recommendations across 2024/25 with progress reported to Audit and Governance Committee via Internal Audit	Plymouth City Council's Family of Companies (FoC) consists of 14 live companies, which operate for varying purposes.  Management is currently developing an action plan to address governance issues which will include issues such as—  Appointment of Directors  Company Secretary  Any requirements to amend the Council's Constitution  Company Information and Reviews  Transparency and Company Websites  Training	Corporate Management Team Audit and Governance Committee Scrutiny Council

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Key Delivery Area	Lead Officer	Assurance Statement	Reporting Through
individual companies, not all are easily accessible.	and confirmation in AGS 2024/25		
Constitution	Ross Jago / Liz Bryant / Holly	In addition to any changes required as a result of the review of the family of companies, constitution amendments will be made in the 2024/25	Corporate
Remaining changes from the 2023/24	Golden	municipal years concerning –	
review.	<b>Target Date</b> : Expected to	Contract Standing Orders – In light of changes to procurement	Audic and Governance
	implement agreed recommendations	practices and regulations amendments are required to contract standing orders. A draft has been developed in consultation with the Officers	Counci <b>l</b>
	across 2024/25 with progress	Governance stakeholder group. Final agreement on changes will be considered by the Audit and Governance Committee.	
	reported to	Planning Committee (Probity in Planning Guidance) – Following	
	Governance Committee via	changes to the Code of Conduct. Final agreement on changes will be considered by the Audit and Governance Committee.	Pa
	Internal Audit	Rules of Debate – Minor changes to rules of debate to be considered	ge 2
	in AGS 2024/25	by the Audit and Governance Committee and recommended to Council.	222
Information Access Provision	John Finch	The Corporate Management Team have reviewed the outcomes of the	Corporate
Significant increased demand has led to	Target Date:	audit. A business case and action plan is currently being developed to address the issues raised for implementation in 2024/25.	Management Leam
failure to meet statutory deadlines and	expected to implement agreed		
Commissioner's Office, ICO.	recommendations across 2024/25		
A reprimand was issued by the ICO in	with progress		
May 2023, followed by an audit into the	reported to		
Council's practices in March 2024.	Audit and Governance		
A number of actions were issued to the	Committee via		
Council as a result of both.	Illicei IIai Audic		

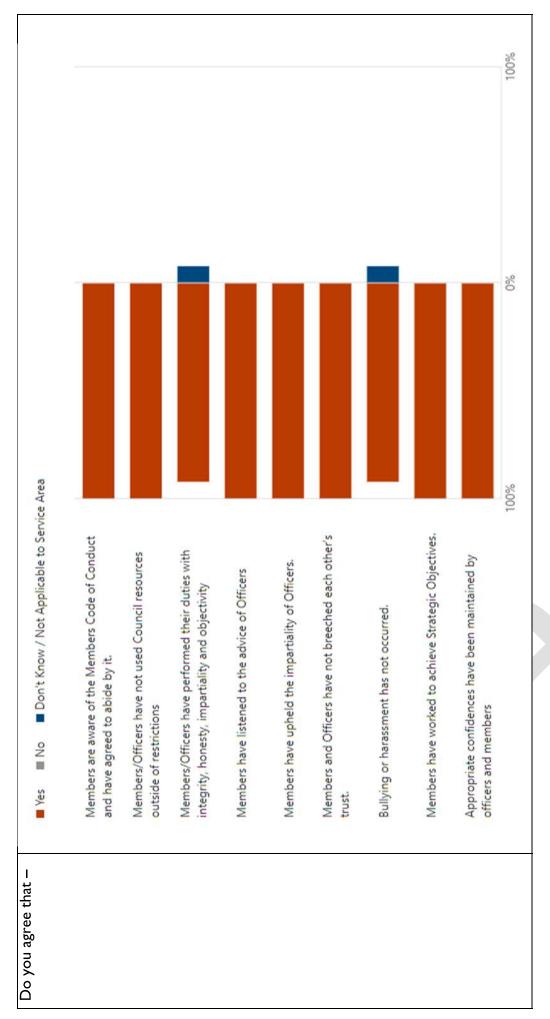
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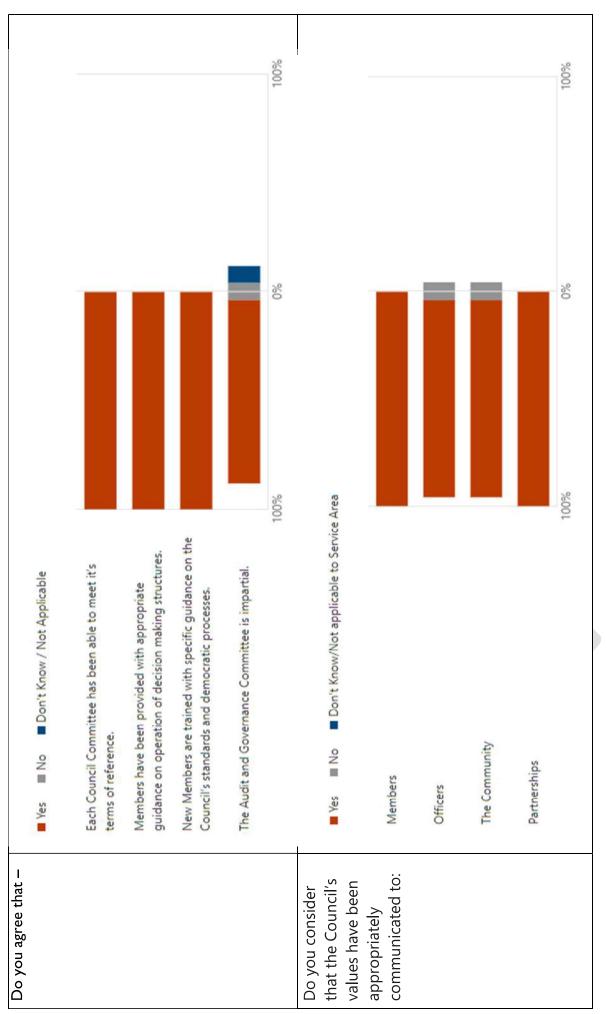
Key Delivery Area	Lead Officer	Assurance Statement	Reporting Through
	and confirmation in AGS 2024/25		
Organisational Effectiveness Plan (OEP)	Chris Squire  Target Date:	The Senior Leadership Team (SLT) has been involved in work towards	Corporate Management Team
Organisational Effectiveness (OE) can be defined as an organisation's ability to meet its own goals.	Expected to implement agreed recommendations	ourse of 2023/24 through the SLT forum.  Options for the delivery of the OPE have been discussed at the	
Traditionally, this could mean defining it through profits, efficiency or growth. In	with progress reported to	Corporate Management Team, who agreed the following for implementation in 2024/25-	
terms of local government, this could mean a definition of financial balance,	Audit and Governance	<ul> <li>The development of an Appreciative Inquiry programme, to include governance, structure, training programme.</li> </ul>	P
meeting statutory targets and audit reviews.	Committee via Internal Audit and confirmation	communication plans and evaluation techniques.  • The development of a programme to move staff to using	age
However, OE is increasingly being thought of in other terms, such as staff	in AGS 2024/25	M365 tools, supported by a comprehensive training and development programme.	<b>223</b>
retention, job experience, and community impact.			
Performance Framework	Ross Jago	Due to capacity constraints this work was not undertaken in 2023/24.	Corporate
In the AGS 2023 the Performance and Accountability Framework was identified for review.	Target Date: Expected to implement agreed recommendations	Development of a new framework is underway and will shortly be reported to the Corporate Management Team before further consideration by relevant governance bodies.	Management leam Scrutiny Cabinet Audit and
	across 2024/25 with progress		Governance.
	reported to Audit and		
	Governance		
	Committee via Internal Audit		

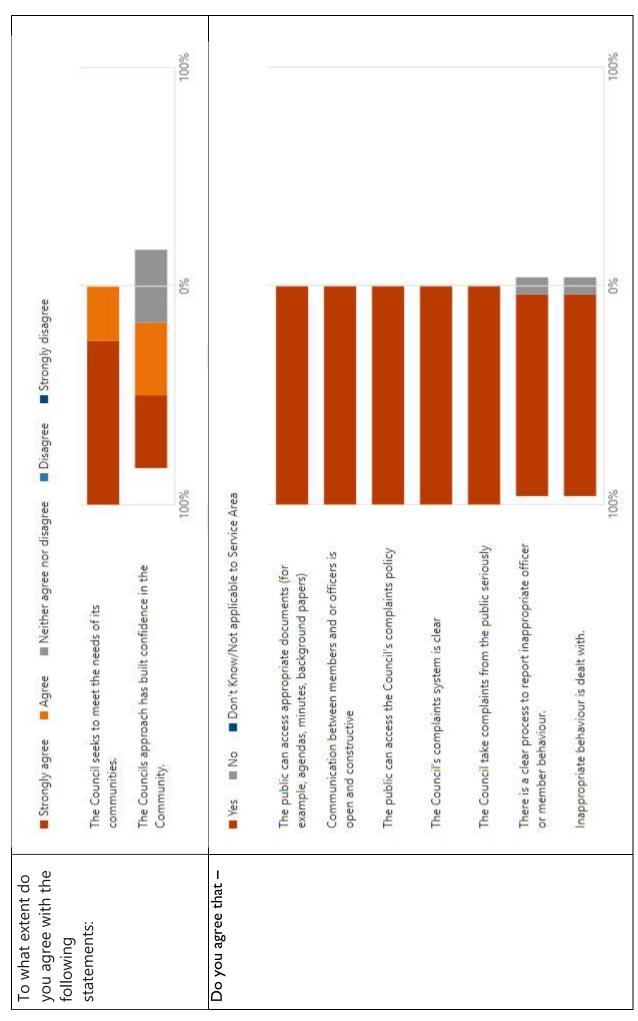
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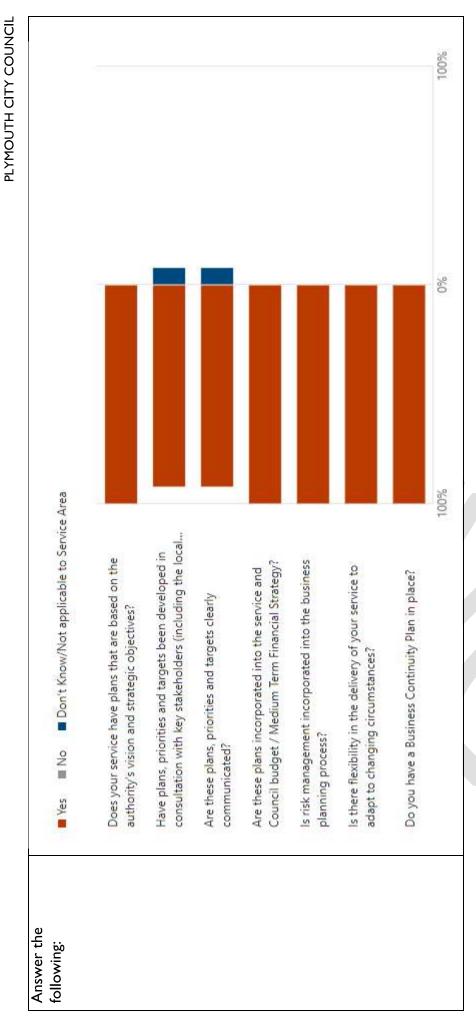
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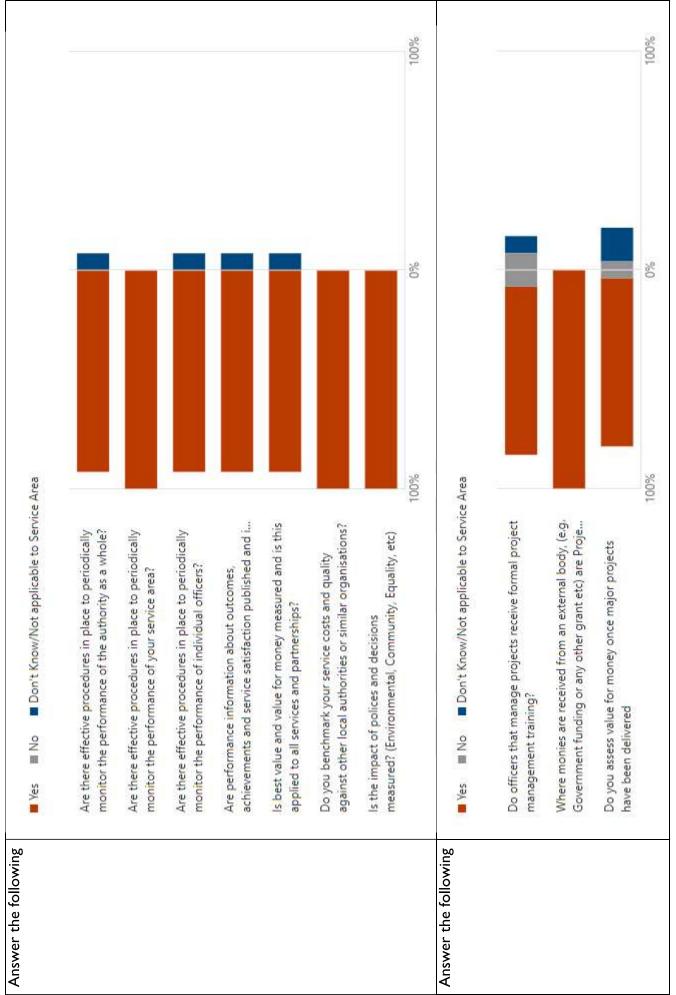
# APPENDIX I – SENIOR LEADERSHIP TEAM SURVEY





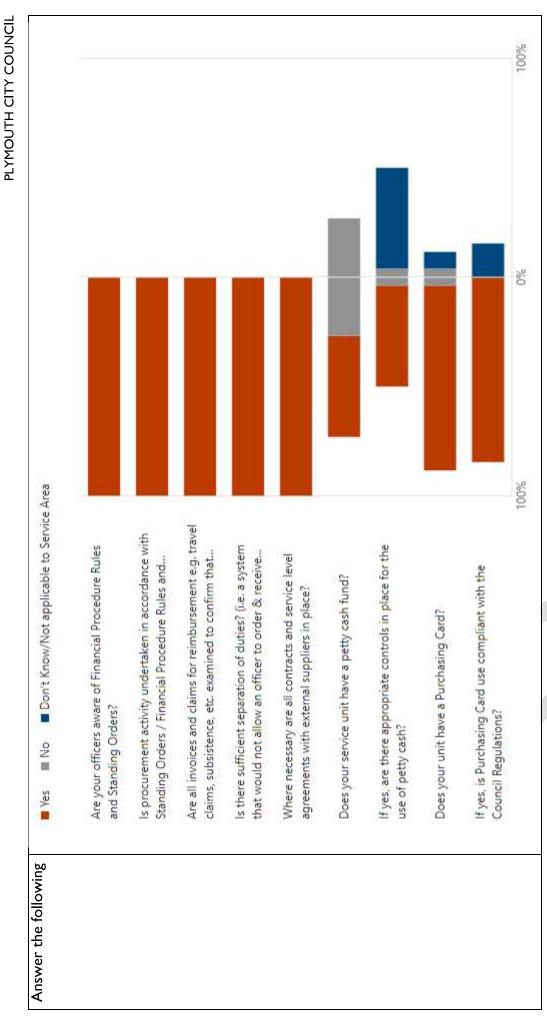


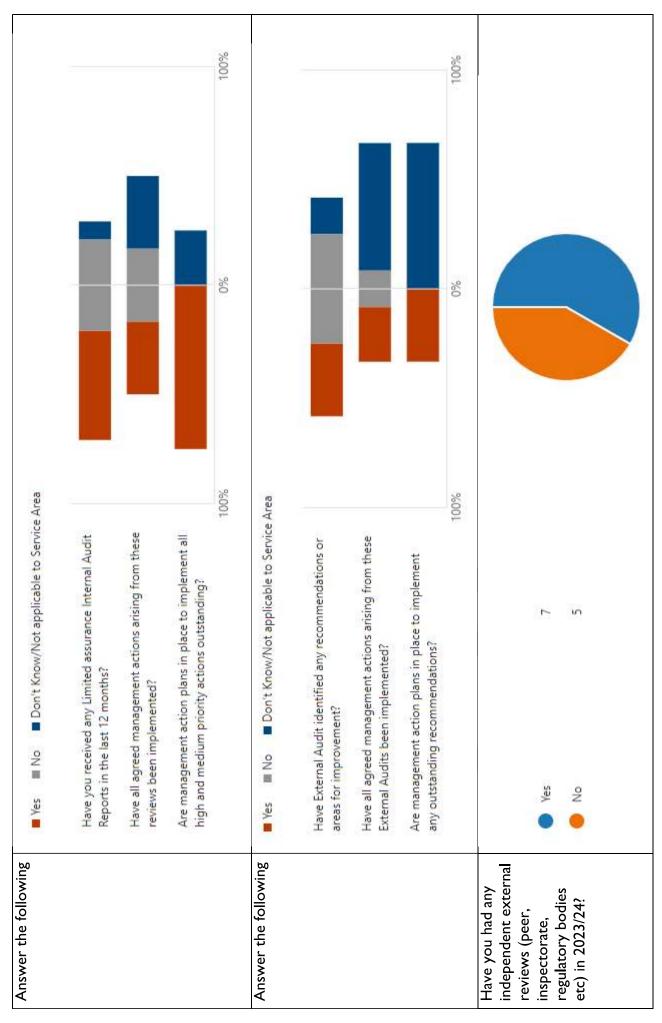




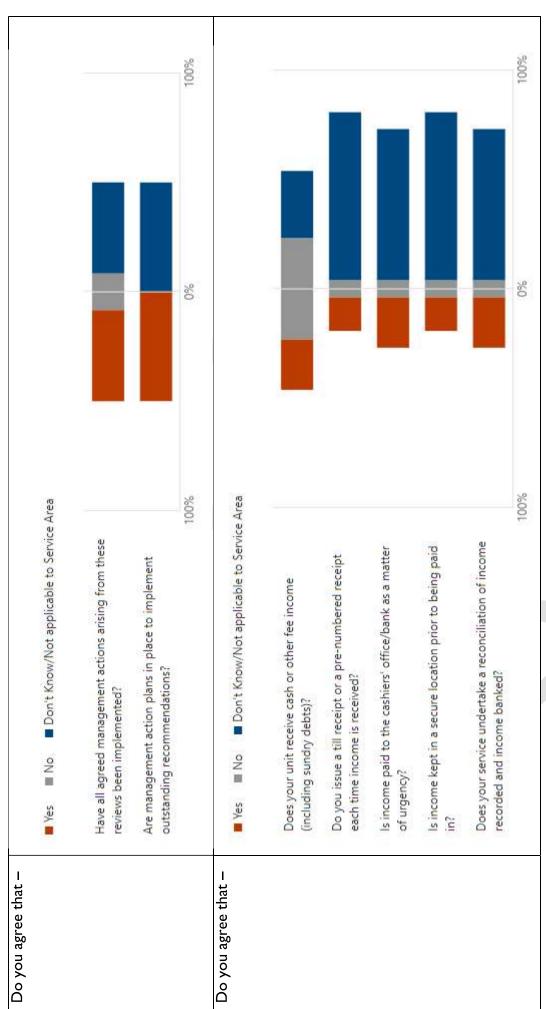


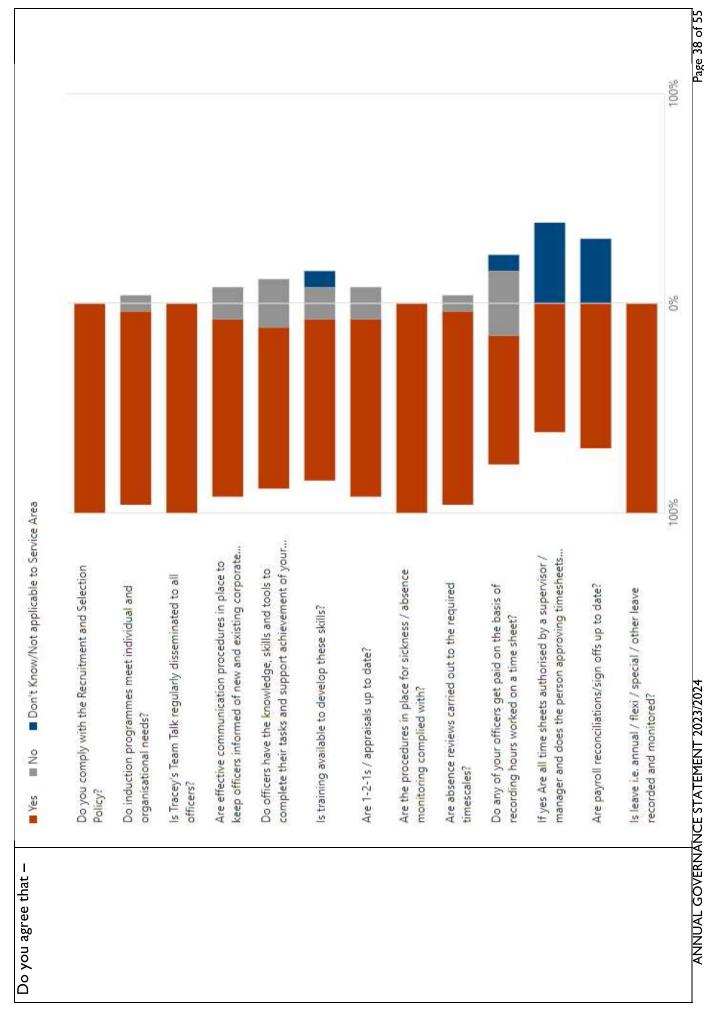
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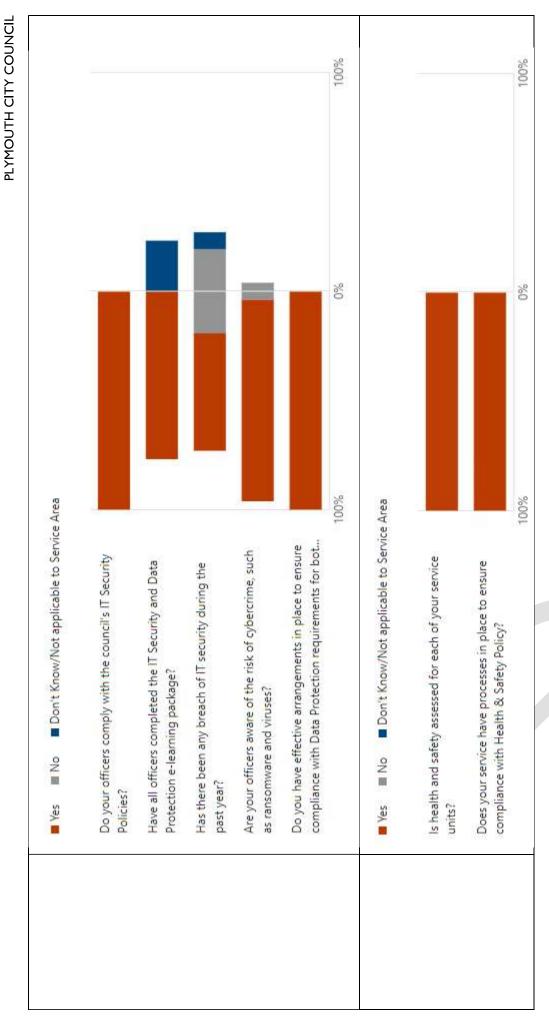


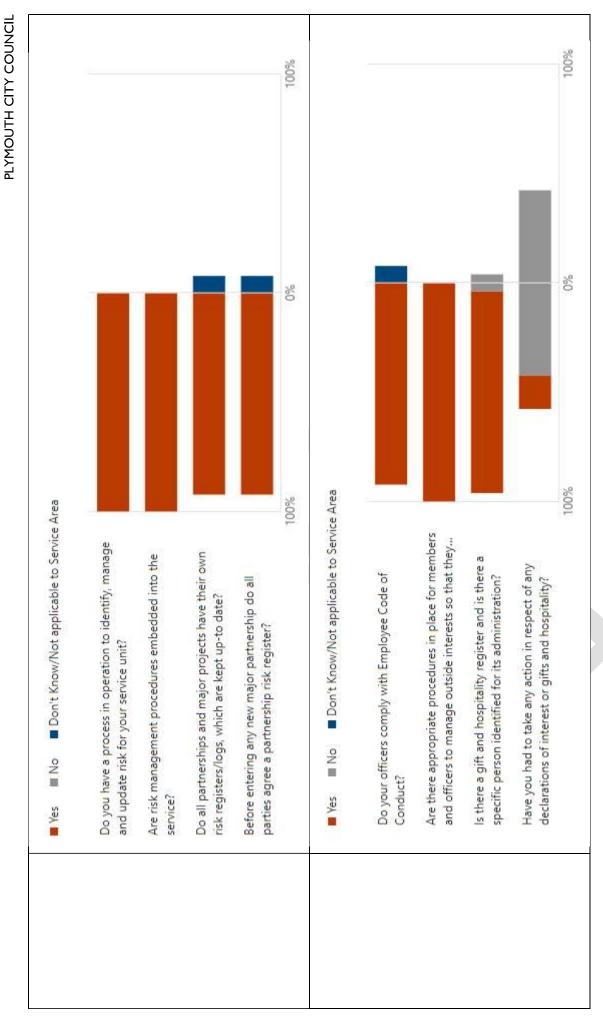


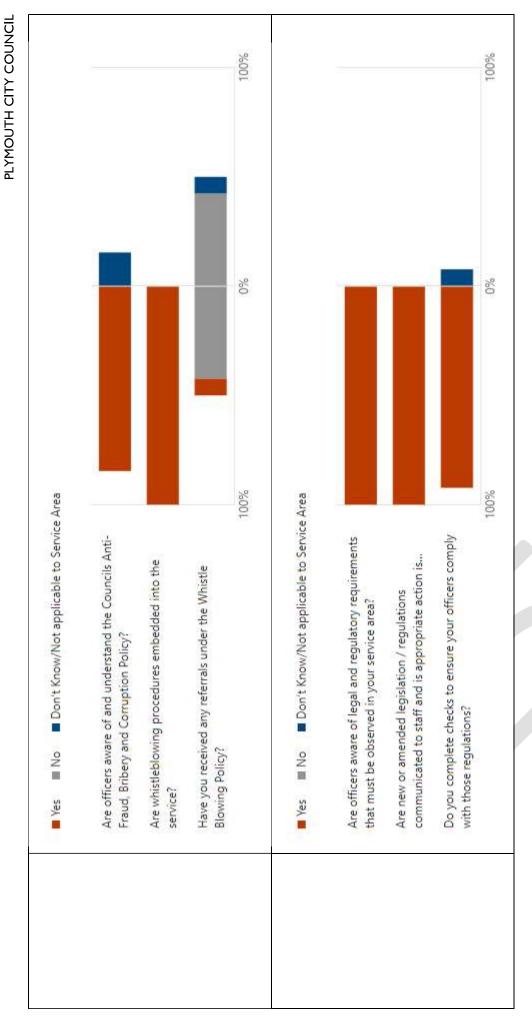
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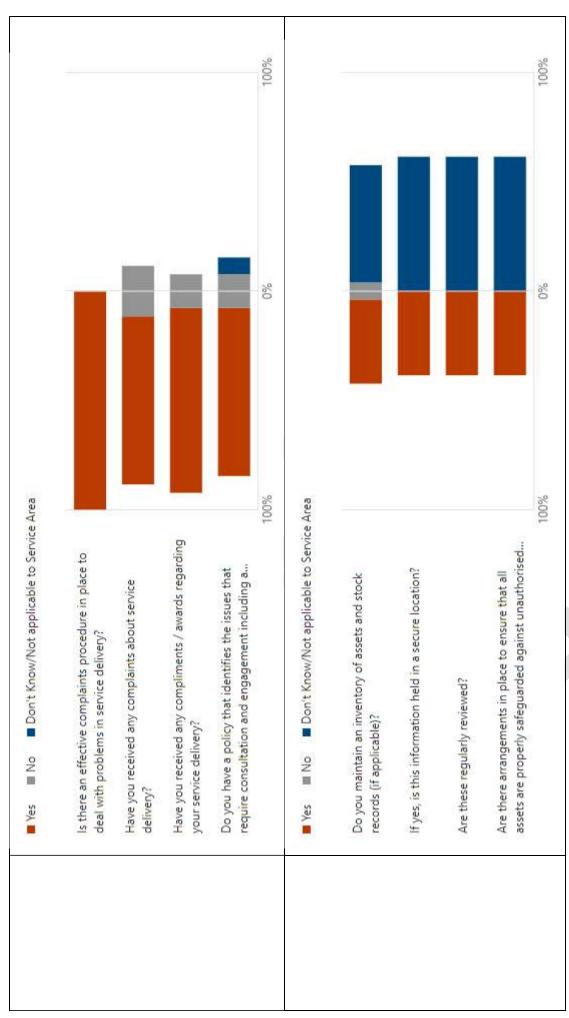




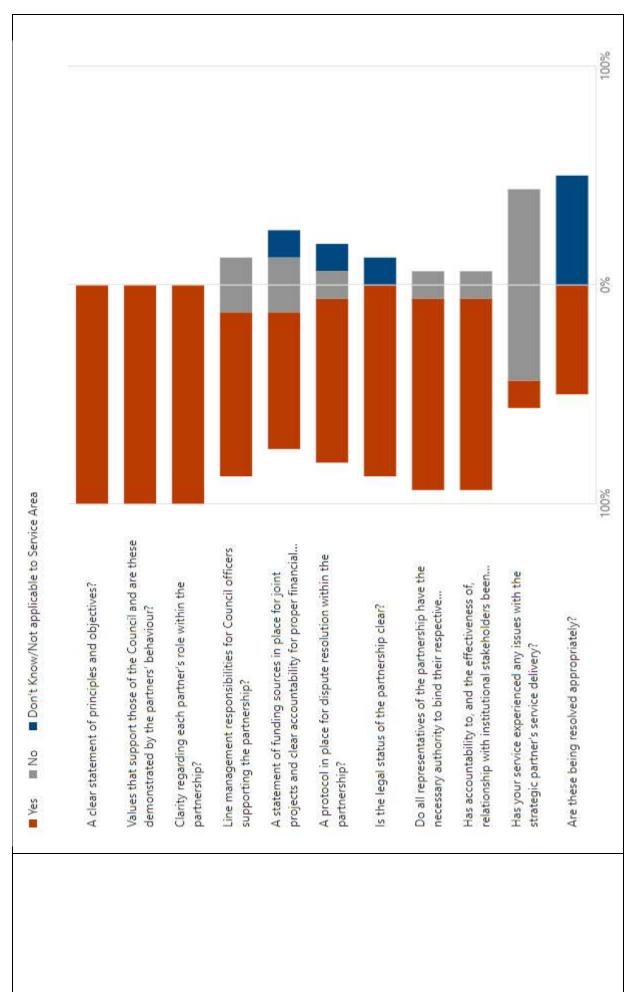




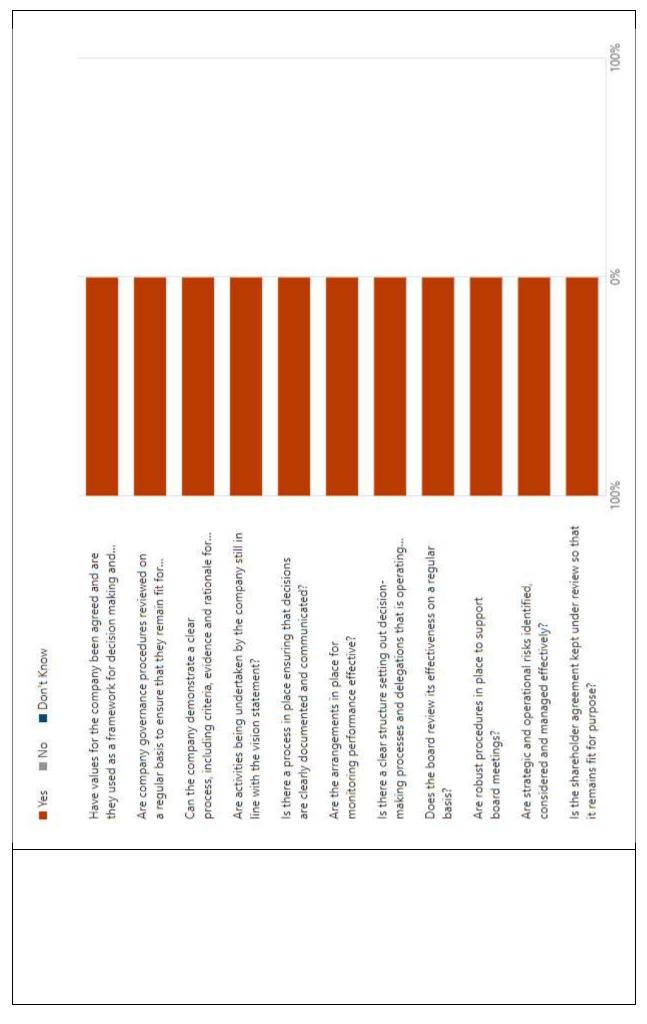
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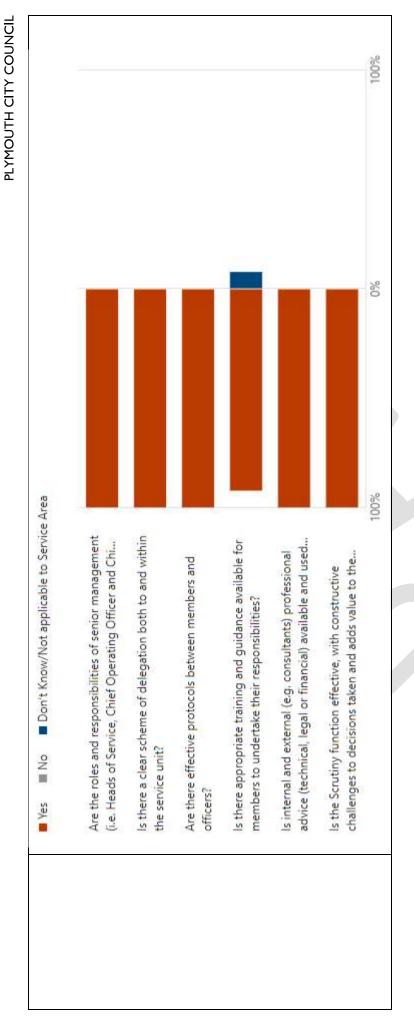


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### APPENDIX 2 - CODE OF CORPORATE GOVERNANCE



### Introduction

Each year the Council conducts a review of the effectiveness of its system of internal control and governance arrangements to ensure compliance with its Code of Corporate Governance. This review forms part of the assurance gathering process to produce the Annual Governance Statement (AGS). The Code has been revised in accordance with the CIPFA/ SOLACE Delivering Good Governance in Local Government Framework 2016.

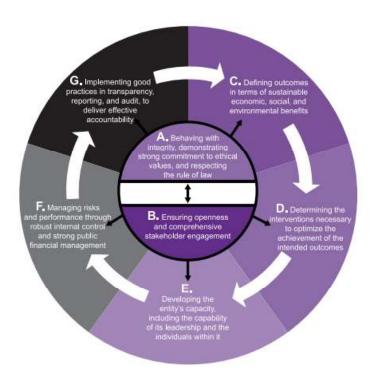
A summary of Plymouth City Council's local arrangements in place to comply with each of the core principles can be found in the Annual Governance Statement (AGS) which is prepared on behalf of the Leader of the Council and the Chief Executive and submitted to the Audit and Governance Committee for consideration and review. It is the Audit and Governance Committee's responsibility to monitor the performance of the Council's governance procedures against the Code. Following approval, the AGS is published alongside the Statement of Accounts on the Council's website.

### **Code of Corporate Governance**

Governance is about how the Council ensures that it is doing the right things in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems, processes, cultures and values by which the Council is directed and controlled and through which it accounts to, engages with, and leads its communities.

The diagram below illustrates how the various principles for good governance in the public sector relate to each other. The seven core principles each contain a set of supporting principles, which in turn have a range of specific requirements that apply across the Council's business and these are described in detail on the following pages.



# Core principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

**Description:** Local government organisations are accountable not only for how much they spend, but also how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values to respect the rule of law.

### **Sub-principles:**

### Behaving with integrity

- Ensuring members and officers behave with integrity and lead a culture where acting in the
  public interest is visibly and consistently demonstrated thereby protecting the reputation of
  the organisation.
- Ensuring members take the lead in establishing specific standard operating principles or values
  for the organisation and its staff and that they are communicated and understood. These
  should build on the Seven Principles of Public Life (the Nolan Principles).
- Leading by example and using these standard operating principles or values as a framework for decision making and other actions.
- Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.

### Demonstrating strong commitment to ethical values

- Seeking to establish, monitor and maintain the organisation's ethical standards and performance.
- Underpinning personal behaviours with ethical values and ensuring they permeate all aspects
  of the organisation's culture and operation.
- Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.
- Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.

### Respecting the rule of law

- Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.
- Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.
- Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.
- Dealing with breaches of legal and regulatory provisions effectively.
- Ensuring corruption and misuse of power are dealt with effectively.

### Core principle B - Ensuring openness and comprehensive stakeholder engagement

**Description:** Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

### **Sub-principles:**

### **Openness**

- Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.
   Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.
- Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.
- Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.

### Engaging comprehensively with institutional stakeholders

- Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.
- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.
- Ensuring that partnerships are based on:
  - Trust.
  - a shared commitment to change,
  - a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.

### Engaging stakeholders effectively, including individual citizens and service users

- Establishing a clear policy on the type of issues that the organisation will meaningfully consult
  with or involve individual citizens, service users and other stakeholders to ensure that service
  (or other) provision is contributing towards the achievement of intended outcomes.
- Ensuring that communication methods are effective and members and officers are clear about their roles with regard to community engagement.
- Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.
- Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.
- Balancing feedback from more stakeholder groups with other stakeholder groups to ensure inclusivity.
- Taking account of the interests of future generations of tax payers and service users.

# Core principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

**Description:** The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

### Sub-principles:

### **Defining outcomes**

- Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.
- Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.
- Delivering defined outcomes on a sustainable basis within the resources that will be available.
- Identifying and managing risks to the achievement of outcomes.
- Managing service user's expectations effectively with regard to determining priorities and making the best use of the resources available.

### Sustainable economic, social and environmental benefits

- Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.
- Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.
- Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.
- Ensuring fair access to services.

## Core principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

**Description:** Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

### **Sub-principles:**

### **Determining interventions**

- Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.
- Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills and assets and bearing in mind future impacts.

### Planning interventions

- Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.
- Engaging with internal and external stakeholders in determining how services and other courses
  of action should be planned and delivered.
- Considering and monitoring risks facing each partner when working collaboratively including shared risks.
- Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.
- Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.
- Ensuring capacity exists to generate the information required to review service quality regularly.
- Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.
- Informing medium and long term resource planning by drawing up realistic estimates of revenues and capital expenditure aimed at developing a sustainable funding strategy.

### Optimising achievement of intended outcomes

- Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.
- Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.
  - Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues of responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.
- Ensuring the achievement of 'social value' through service planning and commissioning.

# Core principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it

**Description:** Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened

by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

### **Sub-principles:**

### Developing the entity's capacity

- Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness.
- Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently.
- Recognising the benefits of partnerships and collaborative working where added value can be achieved
- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.

### Developing the capability of the entity's leadership and other individuals

- Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.
- Publishing a statement that specifies the type of decisions that are delegated and those reserved for the collective decision making of the governing body.
- Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.
- Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by;
  - Ensuring members and staff have access to appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.
  - Ensuring members and officers have the appropriate skills, knowledge, resources and support
    to fulfil their roles and responsibilities and ensuring that they are able to update their
    knowledge on a continuing basis.
  - Ensuring personal, organisational and system wide development through shared learning, including lessons learned from governance weaknesses both internal and external.
- Ensuring that there are structures in place to encourage public participation.
- Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.
- Holding staff to account through regular performance reviews which take account of training or development needs.
- Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

# Core principle F - Managing risks and performance through robust internal control and strong public financial management

**Description:** Local government needs to ensure that the organisation and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

### **Sub-principles:**

### Managing risk

- Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.
- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.
- Ensuring that responsibilities for managing individual risks are clearly allocated.

### Managing performance

- Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.
- Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.
- Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible. Encouraging effective and constructive challenge and debate on policies and objectives to support balance and effective decision making.
- Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.
- Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).

### Robust internal control

- Aligning the risk management strategy and policies on internal control with achieving the objectives.
- Evaluating and monitoring the authority's risk management and internal control on a regular basis.
- Ensuring effective counter fraud and anti-corruption arrangements are in place.
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.
- Ensuring an Audit and Governance Committee or equivalent group or functions which is independent of the executive and accountable to the governing body;

- Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment.
- That its recommendations are listened to and acted upon.

### Managing data

- Ensuring effective arrangements are in place for the safe collection, storage, and use and sharing of data, including processes to safeguard personal data.
- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.
- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.
- Strong public financial management
- Ensuring financial management supports both long term achievement of outcomes and shortterm financial and operational performance.
- Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.

# Core principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

**Description:** Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

### **Sub-principles:**

### Implementing good practice in transparency

- Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.
- Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.

### Implementing good practices in reporting

- Reporting at least annually on performance, value for money and the stewardship of its resources in a timely and understandable way.
- Ensuring members and senior management own the results reported.
- Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an evidence to demonstrate good governance (annual governance statement).
- Ensuring that the framework is applied to jointly managed or shared service organisations as appropriate.
- Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.

### Assurance and effective accountability

- Ensuring that recommendations for corrective action made by external audit are acted upon.
- Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon.
- Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing

recommendations.

- Gaining assurance on risks associated with delivering services through third parties and that this
  is evidenced in the annual governance statement.
- Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.



# DRAFT Independent auditor's report to the members of Plymouth City Council

#### Report on the audit of the financial statements

#### Disclaimer of opinion

We were engaged to audit the financial statements of Plymouth City Council (the 'Authority') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2024 by 28 February 2025 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

On 12 December 2024 we issued a disclaimer of opinion on the Authority's financial statements for the year ended 31 March 2023, as we had not been able to obtain sufficient appropriate audit evidence by 13 December 2024, the previous backstop date, that the financial statements were free from material misstatement. We were therefore unable to obtain sufficient appropriate audit evidence over the corresponding figures or whether there was any consequential effect on the Authority Comprehensive Income and Expenditure Statement for the year ended 31 March 2024 for the same reason.

As a result of the limitations imposed by the backstop date, we have been unable to obtain sufficient appropriate audit evidence over the Authority's opening balances reported in the financial statements for the year ended 31 March 2024. Consequently, we have been unable to satisfy ourselves over the inyear movements in the net pension liability and property, plant and equipment. This has also resulted in uncertainty over the closing balance of property, plant and equipment of £1,072,298,000 as at 31 March 2024. Similarly, we have not been able to obtain assurance over the Authority's closing reserves balance of £475,870,000 as at 31 March 2024, also due to the uncertainty over their opening amount. We have concluded that the possible effects of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2024 by the backstop date.

#### Other information we are required to report on by exception under the Code of Audit Practice

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

#### Opinion on other matters required by the Code of Audit Practice

The Service Director for Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing

economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements

#### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit: or:
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

#### Responsibilities of the Authority and the Service Director for Finance

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Service Director for Finance. The Service Director for Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Service Director for Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Service Director for Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

#### Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our report.

# Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter except in November 2024 we identified:

Significant weaknesses in relation to the Authority's arrangements for financial sustainability:

- Signs of financial stress were identified as a threat to the Authority's financial sustainability in the Medium-Term Financial Strategy (MTFS). We recommended in 2022/23 that the Authority undertake a detailed revision of the MTFS to address how it mitigates the risks against the financial stress indicators and this recommendation remained open in 2023/24.
- Given the importance of transformation in supporting the Authority's financial sustainability, we
  recommended that the Authority 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.

A significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness.

• In May 2023, the Department for Education issued the Council with a statutory Improvement Notice requiring all areas of improvement in Children's Services to be addressed by the Authority and its partners. Whilst the Authority can evidence improvement in services during 2023/24, with arrangements put in place promptly to address issues raised in the Improvement Notice, we recommended that appropriate arrangements are in place with partners to address actions raised in a subsequent joint area SEND inspection and that improvements identified through the Authority's 'Achieving Excellence' strategy are fully costed and incorporated into the Authority's financial plans.

The above matters highlight pervasive financial sustainability and improving economy, efficiency and effectiveness weaknesses at the Authority to allow the Authority to maintain and deliver statutory functions.

#### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its
  costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

# Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Plymouth City Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

#### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Signature:

Name: Jackson Murray, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

**Bristol** 

Date: xx February 2025

# **Audit and Governance Committee**



Date of meeting: 18 February 2025

Title of Report: Updated Treasury Management Strategy 2025/26

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

Lead Strategic Director: David Northey (Interim 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 Final 2025-26

Key Decision: No

Confidentiality: Part I - Official

### **Purpose of Report**

This report includes an updated Treasury Management Strategy report for 2025/26 to the one presented to the Audit & Governance Committee on 12 November 2024. It incorporated latest treasury management strategy information published in January 2025 by Arlingclose, the Councils Treasury Management advisors.

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. The Audit and Governance Committee notes the updated Treasury Management Strategy, that will be considered at City Council on 24 February 2025 as part of the Annual Revenue and Capital Budget report.

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	If some/all o why it is not					emption Paragraph Number (if applicable) ome/all of the information is confidential, you must indicate it is not for publication by virtue of Part 1 of Schedule 12A the Local Government Act 1972 by ticking the relevant box.						
		ı	2	3	4	5	6	7					
Α	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 <u>unpublished</u> works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

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

Treasury Management Strategy 2025/26 presented to Audit & Governance Committee on 12 November 2024				
https://democracy.plymouth.gov.uk/documents/s149776/A%20G%20Committee%20Report%20TMS%202025-26.pdf				

## Sign off:

Fin	OW. 24.25. 038	Leg	LS/00001 075/ 1/AC/ 7/2/2025	M o n O ff	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.
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Originating Senior Leadership Team member: David Northey

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

Date agreed: 31/01/2025

Cabinet Member approval: approved by email

Date approved: 31/01/2025

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# **SECTION 1: INTRODUCTION, OVERVIEW & CONTEXT**

## I. Introduction

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The City Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management. Treasury risk management at Plymouth City Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the City Council to approve a treasury management strategy before the start of each financial year. This Appendix fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

The document also sets out Plymouth City Council's Non-Treasury Investment Strategy, a requirement of statutory guidance on Local Government Investments. Finally, the document sets out Plymouth City Council's statement of policy on the Minimum Revenue Provision for approval by the City Council, fulfilling the Council's legal obligation under statutory guidance issued under the Local Government Act 2003.

# 2. Overview - Investment & Borrowing strategies at a glance

## **INVESTMENTS - KEY FACTS AT A GLANCE**

## Principles and Objectives of the Treasury Management Strategy

- To achieve the best secure investment returns (a target rate of 5% has been set for 2025/26)
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles
- To balance risk against return

### Sources of Market Intelligence & Advice

Bank of England reports.

Choices made within the

framework

• Market advice, credit ratings and other information from the Council's advisers Arlingclose.

Thanket advice, credit	ratings and other information from the Council's advisers 7 timigerose.
Statutory	<ul> <li>Investment policy</li> <li>Sterling only</li> <li>Can use UK Government, Local Authority or a body of 'high credit quality' (defined as organisations and securities having a credit rating of [A-] or higher and domiciled in UK)</li> </ul>
Performance Framework Rules that guide us	<ul> <li>Investment and Counterparty Limits</li> <li>Unlimited UK Government &amp; Money Market Funds</li> <li>£25m any single local authority, government entity or secured investment.</li> <li>£10m per Bank (unsecured)</li> <li>£20m unrated corporates</li> <li>£60m Strategic Pooled Funds</li> <li>£10m Real estate investment</li> <li>Further information on counterparties is set out in section 6.4 below.</li> </ul>
Approach	Hierarchy of objectives – Security first, then Liquidity and then Yield.  Risk Assessment and credit ratings - We monitor credit ratings daily so any

new investments will be made using the latest credit information. Market intelligence

from our advisors may give warnings before credit warning changes e.g., credit default swaps information.

## **BORROWING - KEY FACTS AT A GLANCE**

## Principles and Objectives of the Treasury Management Strategy

- To minimise the cost of borrowing (a target rate of 4.5% has been set for 2025/26)
- · To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles

#### **Sources of Market Intelligence & Advice**

- Bank of England reports
- Market outlook, debt restructuring advice and technical support from the Council's advisers Arlingclose.

# • £1005m • £1055m

### Borrowing requirements - key assumptions and limits for 2025/26

- £162m assumed Capital Expenditure in 2025/26
- £1051m total Capital Finance Requirement (underlying need to borrow)
- £788m assumed total debt (financing) required in 2025/26
- £1005m the Operational Boundary (practical ceiling set on borrowing)
- £1055m the Authorised Limit (absolute maximum debt approved)

## Statutory and Performance Framework

Rules that guide us

## **Key Prudential & Treasury Management Indicators**

- 19.87% Ratio of finance costs to net revenue stream (borrowing costs as a proportion of net revenue budget)
- 90% Limit on Fixed Interest Rate exposure
- 30% Limit on Variable Interest Rate exposure
- Upper and Lower limits are set for different durations to provide a framework for the Council's maturity structure of borrowing, to mitigate the risk of overexposure to refinancing risks – see page 20 for further details.

## **Minimum Revenue Provision (MRP) Policy**

- Annuity Method used see page 29 for further details.
- 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.

## **Approach**

Choices made within the framework

**Balanced objectives -** The Council'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, the Council seeks to ensure a minimum level of short-term borrowing is held to maximise the benefit from a hedging arrangement.

**Strategy** - 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 anticipated to be lower than long-term rates for much of 2025/26, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

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.

**Debt Restructuring** - the council will reschedule or restructure debt if it reduces cost or risk, in consultation with our appointed advisors Arlingclose. The council uses a present value calculation (based on current rates) to assess value of debt restructuring options that could result in a discount or premium being receivable / payable.

# 3. Context - economic background and interest rate outlook

Specialist advisers Arlingclose support the Council with borrowing and investment advice. This section summarises Arlingclose's assessment of the economy and interest outlook in the coming months and years. Further detail is set out in Appendix A.

## Economic background as at January 2025:

The impact on the UK from the government's Autumn Budget, slower interest rate cuts, modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Authority's treasury management strategy for 2025/26.

The Bank of England's (BoE) Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 25bp cut from the 5.25% peak at the August MPC meeting. At the December meeting, six Committee members voted to maintain Bank Rate at 4.75% while three members preferred to reduce it to 4.50%.

#### **Interest Rate Forecast**

The Authority's treasury management adviser Arlingclose forecasts that The Bank of England's Monetary Policy Committee will continue reducing rates through 2025, taking Bank Rate to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.

Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events.

A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate/yield of 5%, and that new long-term loans will be borrowed at an average rate of 4.5%.

# 4. Context - the Council's Capital Financing Requirements

On 31st December 2024, Plymouth City Council held £664.5m of borrowing and £77.6m of treasury investments (this is set out in further detail at Appendix B). Forecast changes in these sums will be driven by changes to the Council's total capital financing requirement, driven in turn by the Council's capital programme. In line with the Plymouth Plan – a long-term strategy for the City, the Council has a large programme of investment to support economic growth and health and wellbeing in Plymouth. The financial impact of this investment programme is analysed in the tables below.

## 4.1. Estimates of Capital Expenditure

The Council's planned capital expenditure and financing forecast as at December 2024 is summarised in the table below. The forecast incorporates reprofiling assumptions for current and future years based on a trend analysis using actual information from previous years.

# This is how we will fund the investment needed to deliver the Plymouth Plan in each year of the MTFP period

Capital Expenditure and Financing	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m
Forecast of in-year Capital Expenditure (General Fund only)	120.007	162.315	74.988	25.540
Total Expenditure	120.007	162.315	74.988	25.540
Capital Receipts	2.002	3.048	9.379	0.180
Grants and Contributions	72.182	74.523	1.756	3.351
Revenue	1.598	1.683	0.000	0.263
Borrowing	44.225	83.061	63.853	21.746
Leasing and PFI	0.000	0.000	0.000	0.00
Total Financing	120.007	162.315	74.988	25.540

## 4.2. Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The underlying need to borrow considers the borrowing required to finance historic capital investment as well as new borrowing required to finance forecast investment over the MTFP period. It also includes financing attributable to PFI & finance leases, including assumed additional financing resulting from accounting changes required under the introduction of IFRS16.

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

Capital Financing Requirement	31 Mar 24 Actual £m			
Forecast CFR (General Fund only)	866.405	986.460	1051.845	1192.790
Total CFR	866.405	986.460	1051.845	1192.790

The Council has an increasing CFR, which is forecast to rise by £326.385 over the next three years because of capital programme investment and changes to the accounting treatment required under IFRS16, offset by minimum repayment provision for debt incorporated with medium term financial planning. Work is ongoing to assess the impact of this accounting change and the figures in the table above are an estimate only.

## 4.3. 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 27 Forecast £m
Borrowing	655.532	700.225	788.286	957.139
PFI liabilities & Finance Leases*	118.500	219.000	217.000	215.000
Total Debt	774.032	919.225	1,005.286	1,172.139

<sup>\*</sup> A provision has been made for changes to accounting requirements arising from the introduction of the new accounting standard IFRS 16, which requires operating leases to be brought onto the balance sheet as a debt liability with effect from 1 April 2024. Work is ongoing to assess the impact of this accounting change on reported CFR and MRP policy and the figures in the table above are an estimate at this stage.

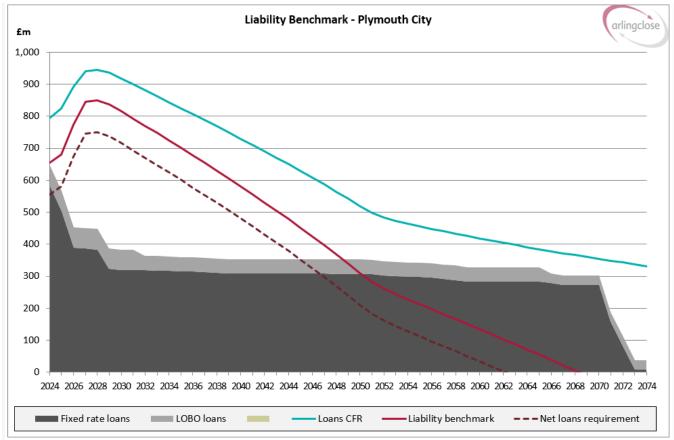
CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table I shows that the Authority expects to comply with this recommendation during the period 2025 to 2027.

#### 4.4. Liability benchmark

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. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Following on from the medium-term forecasts in the tables above, the long-term liability benchmark assumes capital expenditure funded by borrowing across 5-year capital programme of £323.597m, minimum revenue provision on new capital expenditure based on a 20 or 25 year asset life (as appropriate) and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the chart below together with the maturity profile of the Authority's existing borrowing. The liability benchmark calculations used in the chart below exclude financing relating to IFRS16 lease arrangements, which are assumed be financed from the revenue account. As the full implications from changes arising through the introduction of IFRS 16 become clearer, the liability benchmark position set out here will be reviewed.

The liability benchmark chart demonstrates that the Council is likely to be a long-term borrower. On a current forecast of investment needs, the maturity structure of existing debt remains below the cumulative amount of external borrowing forecast for a long-term period, which will require the council to borrow more funds to meet its borrowing needs over an estimated 20 year period.



# **SECTION 2: TREASURY MANAGEMENT STRATEGY**

## 5. Borrowing Strategy & Borrowing Limits

As at 31st December 2024, Plymouth City Council held £664.5m of loans, an increase of £9m from March 31st 2024, as part of its strategy for funding previous years' capital programmes. Table 4.3 above show that the Council expects to borrow up to £788m by the end of the 2025/26 financial year. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed authorised limits agreed by the City Council, as set out in this report.

#### 5.1. Borrowing strategy

The Council's primary objective when borrowing money is to strike an appropriately low risk balance between securing low interest and fixing borrowing to obtain certainty of costs. The flexibility to renegotiate loans or to reschedule debt should the Council's long-term plans change is a secondary objective.

Given the context of increasing demand for statutory services and a challenging outlook for public finances and local government funding, Plymouth City Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently higher than in the recent past, but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. The risks of this approach will be managed by keeping the Council's interest rate exposure within the limit set in the treasury management prudential indicators (set out in section 7 below).

By doing so, the City Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. 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).

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 may be a cheaper option, but it could leave the Council exposed to refinancing risk, a combination of interest rate risk (the risk that rates will rise) and availability risk (the risk that no-one will lend to the Council). Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2025/26 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

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 (set out in section 5.3 below). In its budget assumptions for 2025/26, the Council has assumed that new long-term loans will cost an average rate of **4.5**%.

#### 5.2. Borrowing Limits: Maximum Total Debt

We are required to set borrowing limits by law. Limits are set at affordable levels, with sufficient scope to fund our forecast capital programme.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). Usable reserves and working capital are the underlying resources available for investment, or to finance internal borrowing. The current strategy is not to borrow to the full underlying CFR, and to use working capital and reserves to offset an element of borrowing need.

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 expects to hold borrowing up to £788m in 2025/26. The total borrowing must not exceed an **authorised limit** set by the Council of £1055m, which includes estimated long-term liabilities of £217m, plus an allowance for short term cashflow borrowing requirements. This authorised limit is subject to review once the full impact of IFRS16 is known; although IFRS16 will be fully implemented for the Statement of Accounts for 2024/25, further work is required to understand the full implications of this new accounting standard for borrowing limits in 2025/26. Further detail on the authorised limit and other Prudential Indicators are set out in section 6 below.

In addition to the IFRS review, the Council will also review the appropriateness and affordability of its capital programme and associated financing requirements and borrowing limits if there is a significant change in the balance of costs and income forecast in the Council's rolling Medium-Term Financial Plan. This Treasury Management Strategy has been developed in conjunction with a Medium-Term Financial Plan for the period 2025-28. There is a high degree of confidence that assumptions on costs and income made for the first year of this period are robust; as such the Council can be confident that the revenue consequences of borrowing limits set out in this document for 2025/26 are affordable. However, looking forward to 2026/27 there are significant uncertainties over the level of demand for statutory services (and associated cost pressures), as well as levels of income in what will be the first year following a significant review of local government funding.

## 5.3. Sources of borrowing

The approved sources of long-term and short-term borrowing are set out in the table below.

## These are the lenders we are able to use.

### **Sources of Borrowing**

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)
- 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
- Capital Grant funders offering loans (eg SALIX)
- A Plymouth City Council bond or similar local financial 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 Council has specific strategic issues to consider for some forms of borrowing, and our strategy for a selection of certain financing options is set out here.

## 5.3.1. Lender's Option Borrower's Option loans (LOBOs)

# The Council holds LOBO agreements, which were entered into under different market conditions. Where appropriate we will replace them with lower cost

The Council holds £54m 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 Council has the option to either accept the new rate or to repay the loan at no additional cost. Lender's Options to the value of £10m were called during 2024/25, and the Council took the option to repay these loans. Future opportunities to repay any LOBO obligations will be considered on a case-by-case basis, and the Council will take the option to repay LOBO loans when it can be demonstrated to be cost effective.

## 5.3.2. Municipal Bond Agency loans

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

The 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 proposal for Plymouth City Council to borrow from the Municipal Bond Agency will be the subject of a separate report to full Council, and would require the agreement of the City Council.

#### 5.3.3. 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. To address some of the interest rate risk the Council has entered into a rate swap arrangement with Santander PLC which covers the risk on any differential between the Sterling Overnight Index Average (SONIA) and a set interest rate. The twenty-year arrangement was entered into on I April 2020 and since July 2022 this has generated a financial benefit to the Council.

Other financial instruments may be used to manage interest rate or other risks in line with the Council's policy on the use of Financial Derivatives (see section 9.1 below).

#### 5.4. 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.

# 6. Investment strategy and associated policies

## 6.1. Treasury Management Investment Strategy and Objectives

This section sets out how we invest any surplus funds for cash management, and to manage short term interest rate risks

The Council 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, or to mitigate medium term interest rate risks (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (service investments), and
- to regenerate areas within the City of Plymouth or immediate surrounding economic area to encourage private investment and to create or retain local jobs (known in Plymouth City Council as 'Property Regeneration Fund' investments).

This section focusses on the first category. Section 10 below focuses on the second and third of these categories and meets the requirements of statutory guidance issued in January 2018.

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, and levels of reserves in order to manage risk. These activities, plus the timing of borrowing decisions, lead to a cash surplus which will be invested in accordance with the strategy and policies set out in this document. The balance of treasury investments is expected to fluctuate between £20m and £60m during the financial year 2025/26.

The CIPFA Code requires Plymouth City 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 of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the City 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. Plymouth City Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing, as set out in paragraph 6.2 below.

As demonstrated by the liability benchmark (see section 4.4 above), the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The majority of the cash held by the council for working capital purposes is currently invested in short-term money market funds which offer lower rates but allow for immediate withdrawal.

The Council holds investments in diversified managed funds (defined as 'strategic pooled funds' in table 6.2 below) which offer a higher yielding alternative to short-term money market funds. The CIPFA Code no longer permits local authorities to both borrow and invest long-term for cash flow management, however, decisions to invest in these funds were taken some time ago under a different policy framework. The CIPFA Code does permit long-term investments to be held for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme

for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to a strategic pooled fund portfolio. Accordingly, the Council's historic portfolio of strategic pooled funds will be retained to diversify risk into different sectors and to manage medium term interest rate risk. The Council currently holds £55m across a number of such funds (CCLA Property Fund, CCLA Better World Cautious Fund, Schroder's Income Maximiser and Fidelity Enhanced Income Fund); these funds have no defined maturity date, but can be either withdrawn after a notice period or sold on an exchange. Their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

In its budget assumptions for 2025/26, the Council has assumed that investments will return at an average rate of **5.0**%.

## 6.2. Environmental, social and governance investment policy

Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

### 6.3. Treasury Management Investment business models and strategic pooled funds

Under the new IFRS 9 accounting 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. The Government have recently consulted on potential changes to guidance on the accounting treatment for certain strategic pooled fund investments and the outcome of this process may affect the council's general fund. The position will be reviewed as and when any changes to guidance are announced and the council's approach to pooled investments may change as a result.

### 6.4. Security Risk and Counter Party policies

#### 6.4.1. Sector guidance, approved counterparties and investment limits

These are the limits we use for making individual investments.

They are based on advice from Arlingclose.

The Council may invest its surplus funds with any of the counterparty types in table 6.2 below, subject to the limits shown.

TEMPORTER CO						
Table 6.2: Investment limits	Time Limit	Counterparty Limit	Sector limit			
The UK Government	3 years	Unlimited	n/a			
Local authorities & other government entities	3 years	£25m	Unlimited			
Secured investments *	3 years	£25m	Unlimited			
Banks (unsecured) *	13 months	£10m	Unlimited			
Building Societies (unsecured) *	13 months	£5m	£10m			
Registered providers (unsecured) *	3 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	£20m			
Other investments, unrated investments in equity, quasi-equity, debt or otherwise	n/a	£5m	£20m			

<sup>\*</sup> See paragraph 6.2.4.1 below for specific credit risk management procedures applying to these sectors.

When considering investment limits in the table above, the Council's treasury management team will also refer to the credit ratings of the individual organisations to make the final assessment, in consultation with the Council's professional advisors where appropriate. Limits will also be placed on fund managers, investments in brokers' nominee accounts and industry sectors as set out in the further guidance below. The Council does not invest in non-Sterling currencies, though may make sterling investments in banks domiciled outside the UK. The Council's treasury management team will also refer to the detailed sector guidance set out below for specific sectors.

#### **UK Government:**

These are sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Local authorities and other government entities:

These are loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.

#### Secured investments:

These are 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.

Investments in banks and building societies (unsecured), including operational bank accounts:

These are investments in 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. The Council may incur operational exposures, for example though 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 £10m 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.

Investments in registered providers (unsecured):

These are 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:

These are 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:

These are bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. Strategic pooled funds allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly. As noted in section 6.1 above, the Council currently holds £55m across a number of such funds.

#### 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 unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

#### 6.4.2. 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. 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

### 6.4.2.1. Sector-specific credit rating policies

Treasury investments in the sectors marked with an asterisk in table 6.2 above 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.

#### 6.4.2.2. Other considerations on the security of investments

When assessing the security risk of investments, the Council's treasury management team will also consider the following factors:

- 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.
- 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.
- 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.
- 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.

#### 6.4.3. Reputational considerations

The Council 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. This reputational risk will be taken into account when making investment decisions.

### 6.5. Liquidity Management

Plymouth City Council uses a purpose-built excel cash flow forecasting tool to determine the maximum periods for which funds may prudently be committed. The forecast is compiled on a prudent basis highlighting when borrowing needs to be secured to minimise the risk of the Council being forced into unplanned borrowing under unfavourable terms to meets its financial commitments. Limits on longer term investments are set with reference to the Council's medium-term financial plan and cashflow forecast.

The City Council will spread its liquid cash over at least three providers (e.g. bank accounts and money market funds), of which at least two will be UK domiciled, to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

# 7. Treasury Management and Prudential Indicators

#### 7.1.2025/26 Prudential Indicators

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.

### 7.1.1. Operational Boundary for External Debt

# This indicator provides some flexibility to allow borrowing for day-to-day cashflow requirements.

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

Operational Boundary	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Borrowing	700.225	788.286	957.139	983.886
Other long-term liabilities	219.000	217.000	215.000	213.000
Total Debt	919.225	1,005.286	1,172.139	1,196.886

#### 7.1.2. Authorised Limit for External Debt

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

The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003 and represents the maximum amount of debt that the Council can legally owe. The Authorised Limit provides headroom over and above the operational boundary for more unusual cash movements.

Authorised Limit	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Borrowing	750.225	838.286	1007.139	1033.886
Other long-term liabilities	219.000	217.000	215.000	213.000
Total Debt	969.225	1055.286	1222.139	1246.886

## 7.1.3. Ratio of Financing Costs to Net Revenue Stream

## This measure demonstrates that our proposed borrowing is affordable.

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.

Ratio of Financing Costs to Net Revenue Stream	2024/25 Estimate			2027/28 Estimate
General Fund	17.18%	19.87%	21.09%	22.33%

## 7.1.4. 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 in April 2002. It fully complies with the Code's recommendations.

## 7.2. Other Treasury Management Indicators

In addition to the statutory Prudential Code indicators set out in section 7.1 above, the Council measures and manages its exposures to treasury management risks using the following non-statutory indicators.

## 7.2.1. 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. This is calculated by applying a score to each investment (AAA=I, 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

## 7.2.2. 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.

#### 7.2.3. 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	90%	80%	90%	90%
Upper limit on variable interest rate exposure	20%	30%	35%	30%

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.

## 7.2.4. 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 for different time periods will be:

Time period	Upper	Lower
Under 12 months	50%	35%
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	50%	45%

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.

#### 7.2.5. 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 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	£10m	£10m

# 8. Alternative approaches considered

Government 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.

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 longterm 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

# 9. Other Treasury Management policies and considerations

There are a number of additional items that the Council is obliged by CIPFA and government guidance to include in its Treasury Management Strategy; these and other matters considered appropriate are set out in this section.

## 9.1. Policy on the 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 I 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). Other than the interest rate swap arrangement detailed in section 5.3.3 above, the Council has no further plans to make use of derivative instruments at the present time.

However, the Council 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 consultation with appropriate stakeholders. The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit.

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.

#### 9.2. 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.

### 9.3. Policy on 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 for the Council's Treasury Management activities within the year. 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.

## 9.4. Skills, staff development and professional advice

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. Within the accountancy and treasury management function, the Council employs staff with professional finance qualifications and supports junior staff to study towards relevant qualifications.

The training and development needs of the Council's treasury management staff 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.

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.

## 9.5. Treasury Management Practices, Principles and Schedules guidance

A Treasury Management Practices, Principles and Schedules document is reviewed and revised annually, and forms the operational guidance for the Council's Treasury Management function. It is subservient to this Treasury Management Strategy and 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 document each year under authority delegated by the City Council.

# SECTION 3: NON-TREASURY INVESTMENTS & MINIMUM REVENUE PROVISION STATEMENT

# 10. Non-Treasury Management Investment Strategy

## 10.1. Introduction and scope

Local Authorities invest money for three broad purposes:

- because it has surplus cash as a result of 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.

The statutory guidance defines investments as "all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios." The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority's definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

### 10.1.1. Treasury Management Investments

The Authority 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 reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is largely used to offset the need to borrow for capital investment, or invested to support treasury management activities. The balance of treasury management investments is expected to fluctuate between £40m and £60m during the 2025/26 financial year.

**Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Full details of the Council's policies and its plan for 2025/26 for treasury management investments are covered in Sections 1 and 2 above.

#### 10.1.2. Service Investments

Plymouth City Council supports local public services and economic growth through making loan investments. Further details on these Non-Treasury Management investments are set out in section 10.2 below. The Council does not expect to make any new investments in shares for the purpose of supporting local public services or promoting local economic growth during 2025/26, however section 10.3 below sets out some considerations as a guide for potential shareholder investments that the Council may wish to consider to further its organisational public service objectives.

The Council has interests in a number of companies established as wholly-owned or joint venture vehicles for the delivery of various activities that support Plymouth City Council's objectives; from time to time the Council may establish new Companies or Joint Venture structures for particular purposes. Whilst loans or financial investments in these companies would be considered to fall within the scope of this strategy, non-financial interests (e.g. control exercised through service contracts or board positions, contributions of leasehold or freehold property interests, licences or rights to use assets, or other contributions in kind) are not considered to be Non-Treasury Investments and therefore fall outside of the scope of this document. The Council discloses its interests in companies through its group accounts in accordance with sector accounting guidance; company interests are governed through the specific contractual terms applicable to each individual arrangement and through a wider 'family of companies' governance structure within the Council.

## 10.1.3. The Property and Regeneration Fund

At Plymouth City Council, no new investments are entered into for the sole purpose of earning investment income – where the Council has surplus funds over and above working capital needs, these are used to offset debt financing requirements through 'internal' borrowing. However, property investments are made to regenerate areas within the City or immediate economic area to encourage private investment and to create or retain jobs – a portfolio of property known at the City Council as the Property and Regeneration Fund (PRF). These investments generate a yield and (for affordability purposes and to manage financial risks), PRF investments are appraised on a commercial basis as well as for regeneration, economic development and place-shaping value. As such, the Property and Regeneration Fund is considered to fall within the scope of this Non-Treasury Investment Strategy, even though the primary purpose of the portfolio is not to earn investment income. Further detail on the Property and Regeneration Fund is set out in section 10.4 below.

#### 10.2. Service Investments - Loans

The Council may lend money to its subsidiaries, its suppliers, local businesses, local charities, registered social housing providers or other organisations to support local public services and / or public service objectives. For example, the Council has given a loan to Plymouth Community Energy to support the construction of the solar energy farm at Ernesettle, which in turn supports the Council's Climate Emergency Strategy objectives.

The vast majority of such loan investments are low value; however, taking a proportionate approach commensurate with the value of any loan the Council will ensure that an appropriate due diligence exercise is undertaken and adequate security is in place. All loans are agreed by the Section 151 Officer and will be subject to close, regular monitoring. Long-term loans are treated as capital expenditure for accounting purposes, where the applicable criteria are met.

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. Where appropriate and proportionate, 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.

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

- I. 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 assess risk;
- 6. taking a proportionate approach, the rate of interest charged on any loan will reflect the risk of the project and potential for default;
- 7. subsidy control rules are taken into account before a loan can be considered.

#### 10.2.1. 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 and are appraised and risk-assessed through a similar process to service loans.

#### 10.3. Service Investment - shares

The Council may make financial investments through the purchase of shares of its subsidiaries, its suppliers, and local businesses to support local public services and stimulate local economic growth. The Council does not currently hold any material shareholding investments, but should an opportunity arise to support Plymouth City Council's objectives through an investment in shareholdings the guidance in this paragraph will apply.

**Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. The individual and absolute level of financial investment made in shareholdings should be considered with regard to this security risk, with limits set with reference to the Council's level of available general reserves. All financial shareholding investments should be agreed by the Section 151 Officer and should be subject to close, regular monitoring.

**Risk assessment:** The Council would assess 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. Shares of this type should not be considered to be a suitable investment for managing liquidity risk and should be appraised accordingly, with regard to the Council's liquid Treasury Management investments and cashflow forecast.

## 10.4. Property and Regeneration Fund

From I April 2021 the Council ceased to invest in commercial property where the investment decision was based on a primary objective of generating income. Since this date, the Council has only invested in property where the main purposes of such investment are to regenerate areas of the City, encourage private investment and / or to create or retain local jobs. Some legacy commercial property assets have been retained within a broader portfolio where these assets were purchased prior to April 2021, and where best value would not have been obtained by a disposal of the asset in the period following April 2021. These legacy commercial property assets are kept under review as a potential source of capital financing.

Over time, a portfolio of property investments has developed, known within the City Council as the Property and Regeneration Fund. This portfolio provides a modest return to the council which can help to support local public services. However, the primary objective of the portfolio is to support place-shaping and economic development objectives. The table below sets out the net yield achieved in the last full financial year, and forecast for 2025/26. The Council uses an internal mechanism (known internally as 'Service Borrowing') to recover repayment and financing costs (including a provision for MRP) from the gross income; provision is also made for contributions to reserves held to mitigate the risk of voids and to provide a fund for capital investment. In this way, Property and Regeneration Fund assets are funded by rental income - borrowing is not directly taken out against each property but is managed through our Treasury Management function. The net income set out in the table below is the sum after these deductions.

Property and Regeneration Fund	Actual	<b>Estimate</b>	Forecast
	2023/24	2024/25	2025/26
Total net income	£3.258m	£3.283m	£3.382m

## 10.4.1. 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 / acquisition cost including taxes and transaction costs. A fair value assessment of the Council's Property and Regeneration property portfolio is undertaken regularly. Adverse market conditions have impacted on the valuation of non-residential property, with a downturn in the market driven by higher interest rates, post-COVID social trends and broader economic circumstances. The Council's Property and Regeneration portfolio is held to provide long-term financial and non-financial benefits for the City Council and the wider community and as such, the Council anticipates that it will continue to hold assets where fair value has reduced below development / acquisition costs until market conditions recover and valuations improve. The Council mitigates against longer term impairments to this portfolio by setting aside funds for future capital investment, and regular reviews of lease agreements.

The Council assesses the risk of loss before entering into and whilst holding property investments by carrying out the evaluation process described in paragraph 10.4.4 below.

#### 10.4.2. 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. As noted above, national

market factors for the commercial property sector may mean that the Council would not recover its investment value of property investment is sold during a downturn period. Accordingly, the council considers the Property Regeneration Fund to be a long-term investment and makes alternative arrangements to cover its short and medium-term cash requirements. Because borrowing for Property and Regeneration Fund assets is financed through the income generated by the asset (through the council's internal Service Borrowing mechanism), the first call on any proceeds of sale would be to repay any outstanding service borrowing due, rather than to provide working capital.

### 10.4.3. Proportionality – reliance on net revenue

The Council uses the surplus generated by Property Regeneration Fund to provide services for the city and to achieve a balanced revenue budget. The table below shows the extent to which the Council's revenue budget is dependent on achieving the expected net profit from investments over 2025/26 financial year. It shows that the Council is not over-reliant on this income stream in the context of its overall resources.

	2025/26 Forecast
Net total revenue resources (estimate)	£253.008m
Net Investment income	£3.382m
Proportion	1.34%

## 10.4.4. Investment Evaluation Process for the Property and Regeneration Fund

Prior to any acquisition or development of a Property and Regeneration fund asset, the Council conducts a due diligence and appraisal evaluation processes, following the steps set out below:

- I. Proposed development opportunities are reviewed by the Council's Land and Property team (in consultation with officers from the Economic Development team) 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 on development opportunities is prepared by suitably qualified and experienced in-house MRICS (Member of the Royal Institute of Chartered Surveyors) professionals.
- 2. Prospective developments are evaluated against a set of key criteria. An assessment is produced, highlighting matters such as tenant covenant strength, lease length and location, and economic development value in a transparent and consistent format, to support clear scrutiny and decisions.
- 3. The assessment provides a basis for scoring and weighting risk and benefits, to support the analysis of potential development / acquisition and qualify overall suitability for inclusion in the portfolio. The score is not an absolute threshold but helps to guide decisions.
- 4. To ensure arms-length objectivity, external agents provide professional market analysis, data and advice to support the evaluation and internal reporting process.
- 5. Since tenant default is a significant threat to the performance of the property investment financial checks are made on any proposed tenants. This is augmented by additional internal assessment of tenants' covenant and likely future performance.
- 6. 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. Provision is made within financial modelling for capital investment and an allowance for voids.

- 7. If a decision is made to proceed, in-house surveyors lead negotiations, via the introducing/retained external agents, who are professional property firms. At this stage, two key activities are commissioned
  - A valuation, in accordance with the RICS Red Book, Professional Valuation Standards, is produced to inform potential acquisition cost. This valuation is used as a baseline for fair value assessments.
  - 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.
- 8. 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. Acquisitions are subject to the governance process set out in section 10.4.5 below as well as the Council's standard internal control framework.
- 9. The 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.

## 10.4.5. Property and Regeneration Fund Governance

Clear, robust and transparent governance is critical to making sound decisions (with an appropriate level of due diligence and scrutiny) and meeting statutory guidance. It is also important to ensure any decision process retains 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 Council would need to be able to respond quickly to help retain local jobs and look for alternative purchasers.

The Council's power to acquire or dispose of land is vested, under delegation, 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. The Property and Regeneration Fund is governed by an internal joint officer and member board, which regularly reviews the performance of the portfolio.

#### 10.4.6. Skills, staff development and professional advice

The Council employs professionally qualified and experienced staff in senior positions with responsibility for valuations, acquisitions and disposals and investment appraisals relating to the Property Regeneration Fund. Within the council's land and property function, the Council employs staff with professional surveying qualifications; the Head of Land and Property is a RICS chartered surveyor. The development needs of staff in the Land and Property function 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 and other professional development opportunities.

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 Head of Land and Property and the land and property team receive regular updates on market activity, trends, forecasts and occupier activity from RICS firms, as well as knowledge from in-house surveyors, all of which is used to support decisions relating to the portfolio.

## 11. 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 April 2024.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is aligned with that over which the capital expenditure provides benefits. The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP, but does not preclude the use of other appropriate methods. Plymouth City Council's Minimum Revenue Position statement is set out in this section, and complies with the most recent (April 2024) guidance.

#### 11.1. Minimum Revenue Position Policy

MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Expenditure in Local Authorities*, 2021 edition. Plymouth City Council adopts the following approach in calculating MRP:

- 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, and 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" calculated in accordance with 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. MRP on expenditure not related to fixed assets but which has been capitalised by regulation (including the council's Capitalisation Direction) or direction will be charged over 20 years.
- For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This MRP charge will be reduced by the value any repayments of loan principal received during in the year, with the capital receipts so arising applied to finance the expenditure instead.
- For capital expenditure on loans to third parties which were made primarily for service purposes, the Authority will make nil MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.

- For capital loans made on or after 7th May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised.
   Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.
- For capital loans made before 7<sup>th</sup> May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

#### 11.2. Overpayments

In earlier years, the Authority has made voluntary overpayments of MRP that are available to reduce the revenue charges in later years. It is planned to draw down £0.634m of this in 2025/26.

MRP Overpayments	£m
Actual balance 31.03.2024	1.034
Approved drawdown 2024/25	(0.400)
Expected balance 31.03.2025	0.634
Planned drawdown 2025/26	(0.634)
Forecast balance 31.03.2026	0.000

A reconciliation of prior year MRP provisions has identified an overpayment in 2017/18 for £0.654m which has been included in table above (this was omitted from the equivalent table set out in the MRP statement for 2024/25).

#### 11.3. Capital receipts

Proceeds from the sale of capital assets are classed as capital receipts, and are typically used to finance new capital expenditure. Where the Authority decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:

- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
- Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.
- Capital receipts arising from other assets which form an identified part of the Authority's MRP
  calculations will be used to reduce the MRP charge in respect of the same assets over their
  remaining useful lives, starting in the year after the receipt is applied.
- Any other capital receipts applied to repay debt will be used to reduce MRP in 10 equal instalments starting in the year after receipt is applied.

The capital receipt proceeds of sale from legacy investment properties, assets held within the Property and Regeneration Fund, and other applicable assets will be used to repay the outstanding Service Borrowing finance for that property before any balance of capital receipts is available for repay debt or to finance other capital projects.

## Appendix A - Arlingclose Economic and Interest Rate Forecast December 2024

#### **Underlying assumptions:**

- As expected, the Monetary Policy Committee (MPC) held Bank Rate at 4.75% in December, although, with a 6-3 voting split and obvious concerns about economic growth, presented a much more dovish stance than had been expected given recent inflationary data.
- The Budget measures remain a concern for policymakers, for both growth and inflation.
   Additional government spending will boost demand in a constrained supply environment, while
   pushing up direct costs for employers. The short to medium-term inflationary effects will
   promote caution amongst policymakers.
- UK GDP recovered well in H1 2024 from technical recession, but underlying growth has petered
  out as the year has progressed. While government spending should boost GDP growth in 2025,
  private sector activity appears to be waning, partly due to Budget measures.
- Private sector wage growth and services inflation remain elevated; wage growth picked up sharply
  in October. The increase in employers' NICs, minimum and public sector wage levels could have
  wide ranging impacts on private sector employment demand and costs, but the near-term impact
  will likely be inflationary as these additional costs get passed to consumers.
- CPI inflation rates have risen due to higher energy prices and less favourable base effects. The current CPI rate of 2.6% could rise further in Q1 2025. The Bank of England (BoE) estimates the CPI rate at 2.7% by year end 2025 and to remain over target in 2026.
- The MPC re-emphasised that monetary policy will be eased gradually. Despite recent inflationrelated data moving upwards or surprising to the upside, the minutes suggested a significant minority of policymakers are at least as worried about the flatlining UK economy.

US government bond yields have risen following strong US data and uncertainty about the effects of Donald Trump's policies on the US economy, particularly in terms of inflation and monetary policy. The Federal Reserve pared back its expectations for rate cuts in light of these issues. Higher US yields are also pushing up UK gilt yields, a relationship that will be maintained unless monetary policy in the UK and US diverges.

#### Forecast:

- In line with our forecast, Bank Rate was held at 4.75% in December.
- The MPC will reduce Bank Rate in a gradual manner. We see a rate cut in February 2025, followed by a cut alongside every Monetary Policy Report publication, to a low of 3.75%.
- Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility will remain elevated as the market digests incoming data for clues around the impact of policy changes.
- This uncertainty may also necessitate more frequent changes to our forecast than has been the case recently.
- The risks around the forecasts lie to the upside over the next 12 months but are broadly balanced in the medium term.

## OFFICIAL Page 289 PLYMOUTH CITY COUNCIL

	Current	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
3-month money ma	rket rate	,											
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.90	4.60	4.35	4.10	3.90	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.34	4.30	4.20	4.10	4.00	3.90	3.90	3.95	4.00	4.05	4.05	4.05	4.05
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.56	4.55	4.45	4.30	4.20	4.20	4.20	4.20	4.25	4.25	4.25	4.25	4.25
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	5.05	5.00	4.90	4.80	4.70	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.52	4.70	4.60	4.50	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

## Appendix B - Existing Investment and Debt Portfolio Position

	31 Dec 2024	31 Dec 2024
	Actual Portfolio	Average Rate
	£m	%
PWLB – Fixed Rate	507.5	3.41
Short-term borrowing	85.0	1.18
LOBO Loans	54.0	4.40
Long Term Borrowing	18.0	4.37
Total borrowing	664.5	3.23
Short-term Money Market funds	23.3	4.81
Other Pooled Funds	53.9	5.76
Cash and cash equivalents	0.4	1.76
Total investments	77.6	5.49
Net borrowing	586.9	

## Appendix C - Provisional Treasury Management Budget 2025/26

Position at 31 December 2024	2024/25 Budget	2024/25 Latest Forecast	Forecast variance	2025/26 Provisional Budget
	£m	£m	£m	£m
Interest Payable	24.331			
LOBO and other long term loans		3.461		2.919
PWLB (Public Works Loan Board)		16.006		19.886
Temporary loans		1.607		0.923
Other Interest and charges		1.735		2.136
Recharge to Departments for Unsupported Borrowing	(18.650)	(18.083)		(19.680)
Total Interest Payable	5.681	4.726	(0.955)	6.184
Interest Receivable	(4.354)			
Pool Funds		(3.190)		(2.611)
Money Market Fund		(1.968)		(1.500)
Other Interest		(0.320)		(0.431)
Total Interest Receivable	(4.354)	(5.478)	(1.124)	(4.542)
Other Payments	0.564	0.840		0.552
Debt Management	0.160	0.160		0.160
Amortised Premiums	0.544	0.544		0.544
Total Other Charges	1.268	1.544	0.276	1.256
Minimum Revenue Provision	19.850	16.275	(3.574)	20.713
TOTAL	22.445	17.067	(5.378)	23.611

The budget assumes that the council will achieve savings of c.£0.300m through debt restructuring during the course of the year. Based on a prudent forecast (calculated with reference to average profiles from previous years) that delays in capital programme delivery timescales will reduce Treasury Management borrowing costs and the Minimum Revenue Provision charge by c.£0.500m. A previous Minimum Revenue Provision overpayment is being released in 2025/26 for £0.634m (point 11.2).

#### **Treasury Management Strategy 2025-26**

Published by:

Plymouth City Council Ballard House West Hoe Road Plymouth PLI 3BJ



## **Audit and Governance Committee**



Date of meeting: 18 February 2025

Title of Report: Updated Capital Financing Strategy 2025/26

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

Lead Strategic Director: David Northey (Interim 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 Final 25-26

Key Decision: No

Confidentiality: Part I - Official

#### **Purpose of Report**

This report includes updated financial projections to the Capital Financing Strategy report for 2025/26 that was presented to the Audit & Governance Committee on 12 November 2024. It incorporates latest capital strategy information published in January 2025 by Arlingclose, the Councils Treasury Management advisors.

#### **Recommendations and Reasons**

1. The Audit and Governance Committee notes the updated Capital Financing Strategy, that will go to City Council on 24 February 2025 as part of the Annual Revenue and Capital budget setting report.

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

#### Alternative options considered and rejected

 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.

#### **Financial Risks**

There is an inherent risk to any capital financing activity. The Council continues to manage this risk by ensuring all investments are undertaken in accordance with the approved strategy, and keeping the capital programme 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 capital programme 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	<b>Exemption Paragraph Number</b> (if a If some/all of the information is confidential, you muwhy it is not for publication by virtue of Part 1 of Schof the Local Government Act 1972 by ticking the relative process.)					you must Lof Sched	t indicate dule 12A	
		ı	2	3	4	5	6	7	
Α	Capital Financing 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 <u>unpublished</u> works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.

Title of any background paper(s)	Exem	Exemption Paragraph Number (if applicable)								
	If some/all of the information is confidential, you must indica is not for publication by virtue of Part 1 of Schedule 12A of the Government Act 1972 by ticking the relevant box.									
	ı	2	3	4	5	6	7			
Capital Financing Strategy 2025/26 presented to Audit & Governance Committee on 12 November 2024										

https://democracy.plymouth.gov.uk/documents				
/s149756/A%20G%20Capital%20Strategy%20R				
eport%202025-26.pdf				

### Sign off:

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					text.		text.		text.		

Originating Senior Leadership Team member: David Northey

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

Date agreed: 31/01/2025

Cabinet Member approval: Approved by email

Date approved: 31/01/2025

#### **APPENDIX A - CAPITAL FINANCING STRATEGY 2025/26**

#### I. 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.

Decisions made this year on capital and treasury management will have financial consequences for Plymouth City 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.

#### 2. GOVERNANCE OF THE COUNCIL'S CAPITAL PROGRAMME

Plymouth City Council have developed a set of procedures and operational guidance (the Capital Handbook) to strengthen capital governance. The Capital Handbook details how capital projects are approved and added into the capital programme.

All proposed capital projects are considered by a senior officer group (the Capital Programme Officer Group) before being considered by the Capital Programme Board, a senior Member and Officer group including the Chief Executive, the Section 151 Officer, the Leader of the Council and the Cabinet Member for Finance.

Capital projects with a value of up to £0.200m are approved under delegation by the Section 151 Officer; projects with a value above £0.200m must be endorsed by the Capital Programme Board prior to a decision approved in accordance with the Council's constitutional executive decision-making process.

Each proposed new capital project will need to demonstrate how it meets the objectives of the City Council, through a business case presented for approval explaining the outcomes achieved by the project and how the scheme will address Corporate Plan priorities. The business case will also set out:

- A project description and option analysis
- Project risks, outcomes and benefits
- Public consultation proposals (where applicable) and feedback
- Legal and procurement implications
- Equalities Impact Assessment and Climate Impact Assessment
- Financial implications for Capital including funding and spend profile
- VAT and Revenue implications including further costs if relating to a corporate property.

Due diligence is carried out on all new proposals to determine whether the scheme is deemed suitable and affordable. If accepted and supported, all new projects with a value over £0.200 are published as an Executive Decision.

The Capital Financing Strategy is agreed annually alongside 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 quarterly Capital Programme monitoring process.

#### 3. CAPITAL PLAN

The Capital Plan is the collective term which includes two key elements - the Capital Programme as approved by the Leader or \$151 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 following consideration of a robust, evidence-based business case.

The Capital Pipeline includes projects where funding has not been secured and / or where a business case has not been developed. The affordability of the council's potential Capital Pipeline is kept under review by the Council's Capital Programme Officer Group, with reference to the limits set through the Council's Treasury Management Strategy and capital financing budget estimates.

#### 4. CAPITAL EXPENDITURE AND FINANCING

Capital expenditure is where the Authority spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. All capital expenditure must be financed, either from external sources (e.g. government grants and other contributions), the Council's own resources (revenue funding, reserves and capital receipts) or debt (borrowing or leasing).

In 2025/26, the Authority is planning capital expenditure of £162.315m (as summarised in Table 1 below) which also includes full five year programme broken down by Directorate and financing source. Table 1 sets out the Capital Programme (agreed as at 31 December 2024) which forms part of the 2025/26 budget setting report which will be considered by the City Council on 24th February 2025. The table also sets out the planned financing of the expenditure.

Table I. Five Year Capital Programme by Directorate

Directorate	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Directorate	£m	£m	£m	£m	£m	£m
Children's Services	1.716	1.991	-	-	-	3.707
Adults, Health and Communities	16.809	20.935	3.617	0.164	-	41.525
Growth - Economic Development	30.810	48.482	42.181	16.575	12.427	150.475
Growth - Strategic Planning & Infrastructure	40.963	65.375	28.090	8.280	0.275	142.983
Growth - Street Services	18.673	20.359	0.372	0.241	0.212	39.857
Customer & Corporate Services	4.548	4.903	0.728	0.280	0.100	10.559
Office for Director of Public Health	6.488	0.270	-	-	-	6.758
Total	120.007	162.315	74.988	25.540	13.014	395.864
Finance by:	2024/25	2025/26	2026/27	2027/28	2028/29	Total
i mance by:	£m	£m	£m	£m	£m	£m
Capital Receipts	2.002	3.048	9.379	0.180	2.008	16.617
Grant Funding	70.477	63.094	0.741	3.269	0.193	137.774
Corporate Funded borrowing	23.108	39.638	27.198	3.666	0.378	93.988
Service dept. supported borrowing	21.117	43.423	36.655	18.080	10.334	129.609
Developer contributions	1.705	11.430	1.015	0.082	0.101	14.333
Other Contributions	1.598	1.682	-	0.263	-	3.543

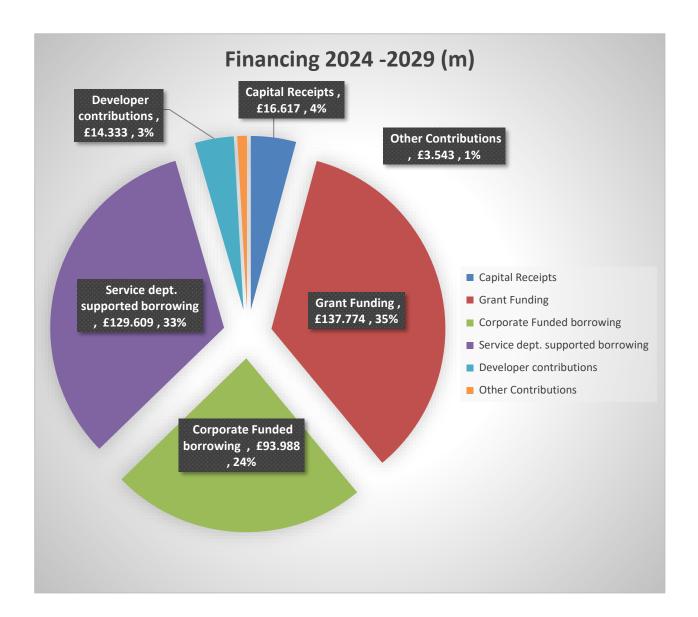
Note that the table does not reflect the full implications of adopting recent changes to accounting standard IFRS16 which changes the accounting treatment of leases. These changes will not have implications for the affordability of the Council's Capital Programme.

Capital expenditure is financed by a range of sources which may either be ringfenced for a particular purpose or un-ringfenced (available for general use). The source of financing is always identified and approved at the point of approving a capital project. The Capital Programme is currently financed by:

Capital Receipts.

- Grants and contributions.
- \$106 and Community Infrastructure Levy (CIL).
- Revenue Contribution to Capital Outlay (RCCO).
- Borrowing both borrowing funded corporately, or (where schemes deliver a saving or a new
  income stream for the Council) borrowing that is offset against the project and repaid by the
  appropriate service (known at Plymouth City Council as 'Service Borrowing). Service Borrowing
  requires the continued delivery of efficiency savings and / or income as a result of capital
  investment, and (as shown in the chart below) forms a significant proportion of the capital
  programme funding across the next 5 years.

A further analysis of the financing of the Council's 5 year capital programme is presented below.



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. MRP, loans fund repayments and the use of capital receipts planned by the council are set out in Table 2 below:

Table 2: Replacement of prior years' debt finance

	2023/24 actual £m	2024/25 forecast £m	2025/26 forecast £m	2026/27 forecast £m	2027/28 forecast £m
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 Council's full minimum revenue provision statement is included as part of the Treasury Management Strategy which forms Appendix 12 of this budget setting report.

The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). The CFR increases with new debt-financed capital expenditure and reduces with MRP, loans fund repayments and capital receipts used to replace debt. The CFR is expected to increase by £65.385m during 2025/26. Further details on the Capital Financing Requirement and associated Treasury Management Policies and procedures are set out in the Council's Treasury Management Strategy in Appendix 12.

The Council will review its capital programme and associated financing requirements and borrowing limits if there is a significant change in the balance of costs and income forecast in the Council's rolling Medium-Term Financial Plan. This Capital Strategy has been developed in conjunction with a Medium-Term Financial Plan for the period 2025-28. There is a high degree of confidence that assumptions on costs and income made for the first year of this period are robust; as such the Council can be confident that the revenue consequences of the Capital Programme set out in this document for 2025/26 are affordable. However, looking forward to 2026/27 there are significant uncertainties over the level of demand for statutory services (and associated cost pressures), as well as levels of income in what will be the first year following a significant review of local government funding.

#### **5. ASSET MANAGEMENT**

To ensure that capital assets continue to be of long-term use, the Council maintains asset management strategies and policies for different categories of asset. The Highways Asset Management Strategy and Property Asset Management Strategy are published documents. The Property Asset Management Strategy will be reviewed during 2025/26, and any implications for the council's Capital Strategy and Capital Programme will be fed into the 2026/27 budget setting process.

#### 6. ASSET DISPOSALS

When a capital asset is no longer needed, it may be sold so that the proceeds (known as capital receipts), can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts "flexibly" on service transformation projects up until and including 2029/30. Repayments of capital grants, loans and investments also generate capital receipts. The Authority plans to receive £8.788m of capital receipts in the coming financial year as set out in Table 3 below:

Table 3: Capital receipts receivable

	2023/24 actual £m	2024/25 forecast £m	2025/26 forecast £m	2026/27 forecast £m	2027/28 forecast £m
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

#### 7. TREASURY MANAGEMENT

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council'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. Plymouth City Council typically holds excess cash in the short-term as revenue income is received before it is spent, but is required to borrow 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.

As at 31<sup>st</sup> December 202 Authority currently has £665m borrowing at an average interest rate of 3.23% and £77.6m treasury investments at an average rate of 5.49%. The Treasury Management Strategy document (included as Appendix 12 of the Council's 2025/26 budget report) sets out a range of contextual information, projected levels of borrowing, and a framework of limits and indicators which will govern the Council's borrowing and Treasury Management activities during the 2025/26 financial year. The key, statutory Prudential Indicators are set out in Table 4 below for ease of reference, further information and detail is found in the Treasury Management Strategy.

Table 4: Prudential Indicators: Authorised Limit and Operational Boundary for debt

	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m
Authorised limit – borrowing	750.225	838.286	1,007.139	1.033.886
Authorised limit – PFI and leases	219.000	217.000	215.000	213.000
Authorised limit – total external debt	969.225	1,055.286	1,222.139	1,246.886
Operational boundary – borrowing	700.225	788.286	957.139	986.886
Operational boundary – PFI and leases	219.000	217.000	215.000	213.000
Operational boundary – total debt	919.225	1,005.286	1,172.139	1,196.886

#### 8. NON-TREASURY INVESTMENT: THE PROPERTY AND REGENERATION FUND

Plymouth City Council manages a portfolio of assets known as the Property and Regeneration Fund (PRF). The strategic objectives of the PRF portfolio are to deliver regeneration, economic and employment growth with associated income benefits in the Plymouth functional economic area. The Council has invested in direct developments and forward funding opportunities to promote regeneration,

safeguarding and create new jobs as well as encouraging economic growth. The Property and Regeneration Fund helps deliver the Council's 'Plymouth Plan' and assists in the redevelopment of brown field sites in the Plymouth area where it can be 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.

The Property and Regeneration Fund (previously known as the Asset Investment Fund) has approved investment of over £250 million in commercial property. The principle objective of this investment is to drive economic growth and regeneration, however there are associated long-term income generation benefits (via rental revenues) which support the wider financial position of the Council.

The PRF portfolio forms the Council's principle "Non-Treasury" investment, and the detailed strategy, governance and risk management framework for the portfolio is set out in the Council's Non-Treasury Investment Strategy, along with further information on investment appraisal procedures, key financial indicators, and the capability and skills of staff and professional advisors involved in managing the assets. The Non-Treasury Investment Strategy is included as part of Appendix 12 in the 2025/26 budget report.

The Property and Regeneration Fund portfolio, alongside historic ('legacy') commercial property investments, form an important part of the Council's overall Capital Strategy. Currently the approach is to continue to operate these assets and develop the portfolio for the economic benefit of Plymouth and the surrounding area, and to generate income which repays associated capital investment and provides a return over and above financing costs. However, this position will be kept under review as part of the Council's evolving Medium Term Financial Strategy and Capital Strategy as the portfolio also provides a potential source of capital receipts, which could be used to repay borrowing and / or finance investment.

#### 9. REVENUE BUDGET IMPLICATIONS, AFFORDABILITY AND RISK

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP / loans fund repayments are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants. Table 5 below sets out the forecast financing costs for the current and next two financial years, together with the percentage of forecast revenue resources represented by these forecast financing costs in each financial year. This is a key indicator of affordability for the Council's capital expenditure plans.

Table 5: Prudential Indicator: Proportion of financing costs to net revenue stream

	2023/24 actual (£m)	2024/25 forecast* (£m)	2025/26 budget (£m)	2026/27 budget (£m)
Financing costs	34.820	41.519*	50.262	53.887
Proportion of net revenue stream	16.01%	17.18%	19.87%	21.09%

<sup>\*</sup> The increase in financing costs in 2025/26 is subject to outcome of capitalisation direction and currently excludes the impact from a change in the accounting for leases that does not represent additional cost to the authority

The Council considers all financial decisions from a prudent perspective; this includes the assessment of the 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. As much of the capital programme is funded by borrowing, assumptions and decisions on the cost and affordability of the Council's borrowing are 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.

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, and the regular review of risks. 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.

Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Service Director of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable based on a clear five-year capital programme. However, as noted above the affordability of capital financing will be reviewed as the Council's Medium Term Financial Plans evolve; in addition, budget assumptions around interest rates have risk which will be reviewed regularly and may lead to a wider review of the capital programme to ensure it remains affordable.

## **Audit and Governance Committee**



Date of meeting: 18 February 2025

Title of Report: ASC Debt Management 2024/25 – Update January 2025

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

Lead Strategic Director: David Northey (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 observations made in the ASC Debt Management report, issued with a Limited Assurance opinion in November 2024.

Progress has been made in addressing the observations made in our original audit with six of the eleven management actions having been fully implemented and five partially implemented. Whilst the overall level of assurance has improved it remains Limited, however it is anticipated that high priority actions will be completed by 30/04/2025 which once implemented will increase the overall opinion to Reasonable.

#### **Recommendations and Reasons**

The Audit and Governance Committee are asked to note the progress to implement of agreed management actions.

Reason: To update members on progress to implement agreed management actions.

#### 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 If some/all of the information is why it is not for publication by viof the Local Government Act 19				confidential, you must indicat rtue of Part 1 of Schedule 12				
		ı	2	3	4	5	6	7		
Α	ASC Debt Management 2024/25 - Update January 2025									

#### **Background papers:**

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

Title of any background paper(s)	Exem	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.						
	ı	2	3	4	5	6	7

#### Sign off:

Fin	DJN. 24.25. 162	Leg	LS/00 0010 75/1/ AC/6/ 2/25	Mon Off	N/A	HR	N/A	Asset s	N/A	Strat Proc	N/A
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Originating Senior Leadership Team member: David Northey, Service Director for Finance

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

Date agreed: 30/01/2025

Cabinet Member approval: Cllr Laing, via email

Date approved: 05/02/2025

<sup>\*</sup>Add rows as required to box below



## **Internal Audit Report**

## **ASC Debt Management Update 2024/25**

## **Plymouth City Council**

Original Audit Report Issued November 2024 – Update Report January 2025



Support, Assurance and Innovation

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**Limited Assurance** - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No Assurance	Assurance	Assurance	Assurance
		Assurance improve	d, but remains Limited.

Management Actions Agreed		Not Implemented	Partially Implemented	Implemented
High	5		3	2
Medium	5	-	2	3
Low	1	-	-	1
Opportunity	0	-	-	-
Total	11	0	5	6

#### **Corporate Objective**

Risks or Areas Covered

**Spending Money Wisely and Providing Quality Public Services**. Adult Social Care Debt Recovery ensures money owed to the Council is effectively and promptly recovered and that service users are appropriately and accurately charged the amounts they are assessed to pay for the services they receive.

	- Original Key Findings (November 2024)
1.	Accumulating ASC debt potentially leading to
	budget deficits may affect the ability to
	provide essential services; meet other
	financial obligations and damage the local
	authority's reputation and trust among
	residents and stakeholders.

- Ineffective ASC debt management decision making
- Lack of robust write off procedures
- Lack of up-to-date debt management policies
- Ineffective monitoring of suspended invoices
- Ineffective monitoring of individual ASC debt cases

**Level of Assurance** 

**Limited Assurance** 

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### **Executive Summary**

In November 2024 a Limited Assurance audit opinion was provided in respect of ASC Debt Management. It was recognised that recovery of ASC debt from client contributions can be complex and time consuming, which may require input from other departments and external agencies, often who are experiencing their own resource difficulties. Debt is often unsecured and further complicated if the service user is suspected or known not to have mental capacity to make financial decisions and once a service user passes away recovery becomes more challenging and there is a higher risk of it becoming irrecoverable. Resource capacity within the Income Recovery Team and Legal Team was impacting the Councils ability to effectively manage debt recovery cases.

Progress has been made in addressing the observations made in our original audit with six of the eleven management actions having been fully implemented and five partially implemented. Whilst the overall level of assurance has improved it remains Limited, however it is anticipated that high priority actions will be complete by 30/04/2025 which once implemented will increase the overall opinion to Reasonable, this does not include the longer term action of developing capacity through an Invest to save Business Case for Deputyship.

Details of the latest management update is included in Appendix A and the original scope and objectives of this audit at Appendix C.



No.	Recommended Management Action	Impact / Priority	Agreed Management Action	Management Action Update (21st January 2025)	Management Action Status
1.1	Ineffective ASC Debt Management Decision Making Effective communication and collaboration between stakeholders is crucial in understanding and preventing debt accumulation. In order to maximise the full potential of the reinstated Debt Meetings it is important that members recognise the significance of the meetings and their strategic importance for ASC finance. A Terms of Reference should be drawn up and distributed to all attendees to include:  • the key objectives of the meetings; • frequency of meetings; • a set agenda with regular items plus any additional points for discussion; • responsibility for co-ordinating meetings, agenda items, action points; • identify the expected regular attendees/representatives (e.g. Legal, Finance, LWSW, Income Recovery, Deputyship); • expectations of members based on the principles of a RACI matrix (i.e who needs to attend every meeting, who should be informed of decisions, responsibility for actions etc); • identify specialised area representatives who may be required for specific meetings/agenda items (e.g.	High	ASC Debt meetings have been reinstated and the agenda includes objectives and frequency of meetings. This will be formalised into a Terms of Reference incorporating the areas to include as per recommendation.  ToR to outline the governance of ASC Debt Meetings and how identified risks are escalated.  Responsible Officer: Head of ASC and Retained Functions Target Date: 31/12/2024	ToR has been drawn up and agreed at ASC Debt Meeting.	Implemented



No.	Recommended Management Action	Impact / Priority	Agreed Management Action	Management Action Update (21st January 2025)	Management Action Status
	Operations Development / Counter Fraud).	Ĭ			
1.2	Lack of robust write off procedures Bad Debt Procedures should be updated to ensure that an additional approval step is put in place to ensure all write off requests are formally approved by the budget holder, prior to being submitted to Income Recovery and authorisation by the Service Director for Finance. All approvals for write offs should be retained on file for future reference.  Review processes for the pursuit of debt from Executors and ensure all is being done to maximise the chances of recovery i.e  Ensuring an up to date next of kin on record;  Establishing the Executor early on and, if not being dealt with by a solicitor, ensure contact details are up to date;  Regular review and contact with Executor to ensure position of estate is understood to ensure follow up is timely but not intrusive;  Ensure Executors are clear on what information the Council requires as evidence and try to obtain this at the earliest opportunity;  Consideration as to whether enough documentation has been obtained to base a decision and to fully document rationale.	High	An additional step to be built into the write off process to ensure that instruction for write off only comes from ASC management. Process to be reiterated to all, including LWSW, at ASC Debt meeting.  Requests for write off to be agreed at ASC Debt Meetings.  Income Recovery Team will ensure approval from ASC budget holder is in place prior to submitting to Service Director for Finance for write off approval. LWSW does not have delegated authority to approve write offs.  Income Recovery Team Leader to review processes for pursuit of debt from Executors and explore ways of maximising engagement and debt recovery from Executors.  Responsible Officer: Head of ASC and Retained Function Target Date: 31/12/2024  Income Recovery Team Leader Target Date: 31/1/2025	Process agreed and is in place. Write Off Procedures have been updated to reflect process and has been approved by Service Director for Finance.	Implemented Page 309
1.3	Lack of up to date debt management policies	High	Income and Credit Management Policy to be reviewed to include	Review of the Income and Credit Management Policy is	Partially Implemented



No.	Recommended Management Action	Impact / Priority	Agreed Management Action	Management Action Update (21st January 2025)	Management Action Status
1.4	The Income and Credit Management Policy (2017) should be reviewed and if necessary, brought up to date. The same applies to the Charging Policy (2019) which should include amendments made to bring in line with current practices for Direct Payments.		review of ASC debt recovery and potential use of enforcement agencies. Awaiting trial of this approach in another Local Authority.  Charging Policy to be reviewed by Head of ASC and Retained Function with Income Recovery/Client Financial Services Team Leader and Operations Development Manager to ensure policy is up to date and to review local decisions to ensure income is maximised.  The reviewed Charging Policy to include the new online financial self-assessment system (Better Care Finance). The aim is to have a draft by January 2025 and publish a final version in April 2025.  Responsible Officer: Head of Revenues, Benefits and Service Centre and Head of ASC and Retained Function, Target Date: 30/4/2025  One team member has been	awaiting response from Cornwall Enforcement Agency the results of which it is hoped will provide leverage in the policy. Needs to be discussed with the head of ASC and Retained Functions to explore using as an option.  The S151 Officer will call a review meeting in February to resolve all outstanding issues, with a completion date of 31 March 2025.  Charging Policy is currently being reviewed by the operations Development Manager. Better Care Finance is still progressing on track to implement the policy by target date of April 2025.	Partially Implemented
1.4	suspended invoices The suspended cases report should be reviewed to ensure all suspended invoices/accounts are still appropriate. Regular monitoring of the report and following up on outstanding information or co-operation from	High	assigned to the suspended invoices report, however, there is insufficient resources to check and chase debt as regularly as would like.	debts, looking at high debt cases and prioritising, identifying bad debt provision, prioritising executors. One member of team concentrating on ASC debt one day per week and income recovery has	r artially implemented



No.	Recommended Management Action	Impact / Priority	Agreed Management Action	Management Action Update (21st January 2025)	Management Action Status
	to be shown as income and if irrecoverable will falsely inflate the financial statement and impact the ASC budget.				
1.5	Ineffective monitoring of individual ASC debt cases Capacity within teams involved in the recovery of debt should be under constant review. Recovery of debt in complex areas such as ASC is resource heavy, PCC Senior Management should consider whether the benefits of investing in sufficient capacity across Income Recovery, Deputyship and Legal Services to enable an effective and efficient means to recover debt outweighs the costs this will incur. The risks of not doing so is that debt recovery may become more challenging if the public believes debts will not be vigorously pursued.  Income Recovery should consider if more can be done when family members agree to apply for LPA or deputyship and whether evidence should be requested and followed up on. Finding a way to identify high risk cases and focus more attention on them may send out a message that cases are monitored closely and act as a deterrent.	High	As per 1.4 above, Income Recovery to review processes and consider using a risk based approach to high risk/high value cases, particularly where an "unwillingness" to pay is suspected rather than an "unable" to pay. Explore whether more can be done to obtain evidence in the early stages of applications for LPAs to ensure this is not used as a stalling tactic from financial representatives.  Responsible Officer: Income Recovery Team Leader Target Date: 31/1/2025  Ensure that bottlenecks and resource issues, which prevent and hinder debt recovery, are discussed at ASC Debt Meetings to understand the reasons and risks. Where appropriate resource issues that delay debt recovery to be escalated to DMT.  Responsible Officer: Head of ASC and Retained Function Target Date: 31/1/2025	Prioritising debts as above. Communicated to Income Recovery Team to identify cases where stalling for time may be an issue, LPA applied for some time ago, executors or cases where progress does not seem to being made to prioritise. Identify high risk cases to bring back to ASC Debt Meetings for discussion.  Further Legal Comment to clarify that Resources are stretched across all departments which impact on each other, not just in Legal or Income Recovery. Legal's resources to be discussed with Strategic Director for Adults, Health and Communities as potential for Invest to save.	Partially Implemented  Page 312



No.	Recommended Management Action	Impact / Priority	Agreed Management Action	Management Action Update (21st January 2025)	Management Action Status
			Legal Services Comment: At present the Legal Team would not have capacity to manage all of the ASC debt. However, the work of Legal services is impacted by delays within the debt recovery team where the processing of recovery action is not undertaken quickly enough, so by the time matters get to legal the debts are much larger and more difficult to recover. The whole process needs an overhaul and investment to make it more efficient and to provide capacity for recovery of all outstanding debts, starting with the way the finance team manage recovery to the legal team taking on an extra lawyer with a specialism in ASC debt recovery.		Page 313
1.6	Unpaid Devon Integrated Care Board (ICB) Invoices Residential Care which is fully or partially funded by Devon ICB is paid by the Council in the first instance and recharged to the Devon ICB on invoice. There are sometimes delays in the payment of these invoices which negatively impacts collection rate figures for the Income Recovery	Medium	This is not expected to be an ongoing issue, however, learning from last year's dispute will be applied going forward. As soon as it is known that an invoice is being disputed Finance will contact the income recovery team to hold invoices being chased.	Implemented at final report stage. No further issues identified.	Implemented



No.	Recommended Management Action	Impact / Priority	Agreed Management Action	Management Action Update (21st January 2025)	Management Action Status
	Team. During the latter part of 2023/24 Devon ICB withheld payment	rioney	Responsible Officer: Lead Accountancy Manager	(21 Sandary 2020)	
	for a number of invoices due to a separate dispute. Payment was		Target Date: Implemented		
	eventually made in March 2024 of £18m covering a number of invoices.				
	In this case, there was a lack of effective communication between				
	decision makers, Income Recovery and Finance which resulted in:				
	Officers chasing debt which				
	had been agreed to be put on a temporary hold;				
	Finance being unaware				
	<ul><li>payments had not been made;</li><li>Income Recovery not being</li></ul>				-
	aware when payment was				
	finally made.				
	The withholding of such a large amount negatively affected Income				Ī
	Collection performance rates, placed additional unnecessary work				
	pressures on the Income Recovery				
	Team and ASC Finance and could potentially have affected the Council's				
	cashflow position.				
	Recommendation: Communication should be improved				
	between decision makers, ASC				
	Finance and Income Recovery to ensure that time is not wasted in				
	chasing debts which have been temporarily placed on hold whilst a				
	dispute or other arrangement is concluded.				
	concluded.				



No.	Recommended Management Action	Impact / Priority	Agreed Management Action	Management Action Update (21st January 2025)	Management Action Status
1.7	Understated Bad Debt Provision The ASC bad debt provision should reflect the calculated risk in order for the service area to accurately and completely report their financial position. (Link to 1.9 below)	Medium	The Finance team will carry out a full review of the methodology of calculating the ASC Bad Debt Provision, to ensure that recommendations in 1.7 and 1.9 are considered, and that the provision going forward shows a more accurate view of debt risk and that any financial impact as a result is factored into the revenue monitoring position.  Responsible Officer: Lead Accountancy Manager  Target Date: 31/1/2025	Linking to the high risk case reviews would best inform the provision calculations so I think to allow that, and to get the best outcome for the BDP review, the deadline will need to move slightly to the end of Feb; this would still allow us sufficient time to have a good overview/working papers in time for year end.  This review is now part of a wider piece of work being undertaken across finance to review all bad debt provisioning. It should be noted the 2025/26 Proposed Budget included a £0.5m uplift to the ASC Bad Debt provision  Responsible Officer: Lead Accountancy Manager  Revised Target Date: 28/02/2025	Page 315
1.8	irrecoverable debt showing as recoverable on Debtors system  If advised by Legal Services that a debt is likely to be irrecoverable, it should be referred to the appropriate manager to make a decision on	Medium	Standard procedure would be that a report would be provided whenever a case is closed down, I can't confirm whether reports went out on the cases that were mentioned, as they would have been attached onto	Implemented at Final Report.  Further agreed that if Income Recovery come across cases which were referred to Counter Fraud a long time ago and nothing has happened Internal	Implemented



No.	Recommended Management Action	Impact / Priority	Agreed Management Action	Management Action Update (21st January 2025)	Management Action Status	
	whether the debt should be written off, ensuring that income is not overstated, or at least a provision is made in the bad debt reserve. A debt can be written back on if it is recovered once an investigation is complete. (Recommendation covered in 1.4 above)  Regular updates should be provided to the relevant departments who have requested Counter Fraud's services on each case they are working with. When a case is closed to Counter Fraud this should be communicated back to the relevant department manager and evidenced so that action can be taken to write off debt or close the case down within the originating department as appropriate.  An exercise should be undertaken to identify any cases that were referred to Counter Fraud and subsequently closed to ensure the originating department have been informed of the closure.	Priority	our old fraud system. We have standard report formats now, which must be completed by an investigator when submitting a case for closure, whether it is being recommended that action is taken or just closed down as no further action, and these should be provided to the department that refers the fraud to us.  The cases that were previously investigated were stopped multiple years ago, I can't say for certain, but I believe in 2022. From my recollection, I met with the previous Legal Assistant before they left, and we discussed how none of the cases could be progressed for the reasons I mentioned, and I believe after he left, someone else e-mailed to ask about them and they were advised that they had already been stopped from our end. If legal were not successfully notified of the outcome of the cases, that would have been an error on my part, as standard procedure would be to send a closure report (or at least an e-mail).  From our current position, we have no current live cases related to Adult Social Care	Audit will be advised and will take this up with Counter Fraud. Any cases discovered in this way that have been closed by Counter Fraud will be discussed at ASC Debt Meeting in relation to potential write off.	Status	Page 316
			debt. But any future cases that may be referred to us, will			



No.	Recommended Management Action	Impact / Priority	Agreed Management Action	Management Action Update (21st January 2025)	Management Action Status
			always have a closure report sent over.		
			The Fraud Team are happy to assist in an exercise to look at cases that have been referred to the Counter Fraud team, to make sure that they can all be successfully updated by legal, should it be required.		
			Responsible Officer: Senior Counter Fraud Officer Target Date: Implemented		
1.9	Insufficient bad debt provision, calculations do not adequately reflect risk of recovery.  The bad debt provision calculator should be sense checked to ensure the factors are appropriate. In addition to the calculator, a risk-based approach to the individual debts should be included and a RAG rating allocated based on a predetermined criteria such as:  • mental capacity;  • previous payment history/client debt issues/previous debt written off;  • size of debt (based on client not invoice);  • if estate is being managed by a solicitor;  • whether there is a property involved;  • financial representative, family, safeguarding concerns;  • co-operation of client/financial representative (including	Medium	The Finance team will carry out a full review of the methodology of calculating the ASC Bad Debt Provision, to ensure that recommendations in 1.7 and 1.9 are considered, and that the provision going forward shows a more accurate view of debt risk and that any financial impact as a result is factored into the revenue monitoring position  Responsible Officer: Lead Accountancy Manager  Target Date: 31/1/2025	Linking to the high risk case reviews would best inform the provision calculations so I think to allow that, and to get the best outcome for the BDP review, the deadline will need to move slightly to the end of Feb; this would still allow us sufficient time to have a good overview/working papers in time for year end.  This review is now part of a wider piece of work being undertaken across finance to review all bad debt provisioning. It should be noted the 2025/26 Proposed Budget included a £0.5m uplift to the ASC Bad Debt provision  Responsible Officer: Lead Accountancy Manager Revised Target Date: 28/02/2025	Partially Implemented



No.	Recommended Management Action	Impact / Priority	Agreed Management Action	Management Action Update (21st January 2025)	Management Action Status
	where full charge is applied due to non-disclosure during financial assessment);  • suspected fraud;  • awaiting input from other service areas/agencies (eg. Deputyship, Court of Protection, Legal Services, Counter Fraud etc).				
	An additional tab could be added to the bad debt spreadsheet to incorporate the above and feed into the overall bad debt provision. The bad debt provision calculator and risk approach tool should be agreed by managers and form part of the Bad Debt Policy for ASC.  Link to 1.7 above.				Page 318
1.10	"Free Text" Exception Report identifies cases where correspondence may not be sent due to incorrect input As raised in previous audit reports a "free-text financial representative" remains in 17 cases as shown in the Dashboard exception report. This is a field which should not be completed and may prevent the issue of correspondence and/or invoices.  It is understood that the Eclipse upgrade has removed the issue with the "Free Text" box for new cases, however, 17 pre-migration cases currently remain with this error notification.	Medium	Cases continue to be worked through and removed. Currently down to 15 premigration cases.  The Operation Development Team will close down the remaining 15 Free Text Fin Reps and where possible convert them into CareFirst records.  Responsible Officer: Operations Development Manager  Target Date: 31/12/2024	Free Text box on CareFirst has been cleared and is being regularly checked.	Implemented



No.	Recommended Management Action	Impact / Priority	Agreed Management Action	Management Action Update (21st January 2025)	Management Action Status
	Recommendation: An exercise should be undertaken to clear up the final 17 "free text representatives" cases.				
1.11	ASC Debt summary is not regularly produced and reported to senior managers  ASC debt can be monitored and is reported in various ways (ledger, ASC dashboard, debtors system) and is included in the Council's financial statements.		Operations Development Manager to add a debt section to the weekly income report which is sent to managers.  Email alerts are already sent to Management Team when debt levels peak.	Debt summary has been added to Income summary for circulation to Managers.	Implemented
	ASC Deferred Debt is also reported in the financial statement and in the ASC Dashboard. However, there appeared to be a lack of clarity and understanding amongst finance staff in relation to Deferred Debt and how this is monitored and reported and how this information is displayed in the ASC Dashboard.	Low	Management reporting to be discussed at ASC Debt Meeting and reports tweaked as necessary to provide good quality management information.  Responsible Officer: Operations Development Manager.		Page 319
	According to the ASC dashboard (as of September 2024) there was £8.9m outstanding ASC debt spanning a number of years. 53% of the debt was from 2023/24 and 2024/25 (to date). The remaining 47% spanned between 2006/07 to 2022/23. It was noted that some service users debt had been accrued over a number of years. <b>Recommendation:</b> Managers could benefit from a periodic ASC debt report which summarises key risk areas as not everyone has access to all debt		Target Date: 31/12/2024		
	management reports and systems. This could pull together specific				

# **Appendix A**OFFICIAL



No.	Recommended Management Action	Impact / Priority	Agreed Management Action	Management Action Update (21st January 2025)	Management Action Status
	information held in the dashboard and				
	debtors system regarding aged debt				
	and service user categories (e.g.				
	mental capacity, financial				
	representative etc) and information				
	from the bad debt provision report in				
	relation to service users who have the				
	highest debt. Findings from the debt				
	management meetings in relation to				
	trends and work undertaken to reduce				
	the debt could also be included.				
	Deferred debt should also be regularly				
	monitored by Finance and ASC				
	monitoring reports should include				
	Deferred Payments for visibility and to				
	enable trends to be identified and				<del> </del>
	monitored.				<u>a</u>
			<u> </u>		(,

## Appendix B OFFICIAL



### **Scope and Objectives**

The scope and objectives of this audit was to provide the Council with an opinion on the 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".

The audit included those direct payment recipients who receive their direct payment gross of the assessed client contribution and who are invoiced in the same way as those in receipt of commissioned services. Direct Payments which are paid "net" of the assessed client contribution were not be included in this audit. The management and oversight of client contributions for Direct Payments that are paid "net" of the contribution are included in the Direct Payments audit.

#### Overall Risk:

• Accumulating ASC debt may lead to budget deficits, affecting the ability to provide essential services and meet other financial obligations.

#### Risk Effect:

- Non-compliance with legal and regulatory requirements can result in penalties, fines or legal action against the Local Authority;
- Insufficient funds which may impact the quality and availability of services provided by the local authority. This can result in reduced access to essential care services for vulnerable adults, affecting their well-being and potentially leading to safeguarding issues;
- Negative publicity regarding financial mismanagement or inadequate support for vulnerable adults can damage the authority's reputation and trust among residents and stakeholders;
- Increased administrative burdens and operational costs, including resources needed for debt collection, legal proceedings and managing disputes;
- ASC debt can have broader economic implications for the local community ie. affecting the council's ability to maintain services;
- Lack of adequate social care services due to financial constraints can exacerbate social inequalities and contribute to social isolation among vulnerable adults.

The following areas and mitigating controls were reviewed during the audit:

- Financial Management Policies and compliance with Regulations;
- Debt Management Procedures;
- Documentation and record keeping;
- Risk assessment and management;
- Stakeholder Communication;
- Performance Measurement and Reporting

### **Acknowledgements**

We thank those who provided support and assistance during this audit.

Cathy Curnow

Team Leader. Finance

Nicola Pearce

Legal Assistant

Helen Slater

Manager

**Lead Accountancy** 

Chris Blackham Livewell SW

Deneice Braddon

**Technical Expert** 

Gareth Sampson Operations

Development Manager Page 321

## Appendix B OFFICIAL

# devonassurancepartnership

#### **Audit Team**

Marie Whittam Louise Clapton Tony Rose

Delivery Lead Manager Head of Partnership

#### **Inherent Limitations**

The opinions and observations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

### **Devon Assurance Partnership**

Devon Assurance Partnership has been formed under a joint committee arrangement, details of our partners can be found on our <u>website</u>. We aim to be recognised as a high-quality assurance service provider. We collaborate with our Partners by providing a professional service that will assist them in meeting their challenges, managing their risks and achieving their goals.

In conducting 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 <a href="mailto:tony.d.rose@devon.gov.uk">tony.d.rose@devon.gov.uk</a>.



#### **Confidentiality under the National Protective Marking Scheme**

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the organisation, 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.

Marketing	Definitions
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Official The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.

Official: Sensitive A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier but may attract additional measures to reinforce the 'need to know'. In

such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL-SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not

accessed by unauthorised people.

#### **Definitions of Audit Assurance Opinion Levels**

## **Definition of Observation Priority**

Dominiono di Addit Addatando Opinion Lovoio			
Assurance	Definition		Φ
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important observations made to improve internal control arrangements and manage identified risks.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Opportunity	An observation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These observations do not feed into the assurance control environment.

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# OFFICIAL **Audit and Governance Committee – Tracking Decisions 2024/25**

Minute No.	Resolution	Date Due & Progress
Minute 42	A SharePoint page would be created for members of the Committee, to see risk management information in near real time.	Date Due: January 2024
Risk Management Monitoring Report	see risk management information in near rear time.	Officer Responsible: Ross Jago
November 2023		<b>Progress:</b> Request formally made I December 2023. Chased 26 March 2024, 23
28 November 2023		April 2024, 12 July 2024.
Minute 59	There would be an independent review into the pension transaction from October 2019 and as soon as there was information on when the review	Date Due: Ongoing.
External Audit – Audit Findings	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	Officer Responsible: David Northey
Report 2020/21	as any other relevant Councillors.	<b>Progress</b> : Formal request sent 13 March 2024. Update provided to the Committee at
12 March 2024		the 23 July 2024 and 10 September 2024 meetings. Further updates to be provided when possible.
Minute 60	Ross Jago (Head of Governance, Performance and Risk) agreed to provide members with an explanation as to why Councillors, agency workers and	Date Due: 27 March 2024
Whistleblowing Policy	contractors were exempt from the Whistleblowing Policy.	Officer Responsible: Ross Jago
12 March 2024		Progress: Formal request sent 13 March 2024. Chased 26 March 2024, 23 April 2024, 12 July 2024, 4 December 2024, 3 January 2025.

Tracking Decisions 2024/25 OFFICIAL

#### **OFFICIAL**

# Audit and Governance Committee - Tracking Decisions 2024/25

Minute 60	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	Date Due: 27 March 2024
Whistleblowing Policy	report.	Officer Responsible: Ross Jago
,		Progress: Formal request sent 13 March
12 March 2024		2024. Chased 26 March 2024, 23 April 2024,
		12 July 2024, 12 August 2024, 4 December 2024, 3 January 2025.
Minute 60	Section 2.2 did not include inappropriate behaviour, so Ross Jago (Head of	Date Due: 27 March 2024
	Governance, Performance and Risk) agreed to provide information to	
Whistleblowing Policy	members on how this would be dealt with through existing HR policies, or if it needed to be included in the Whistleblowing Policy.	Officer Responsible: Ross Jago
	and the same of th	Progress: Formal request sent 13 March
12 March 2024		2024. Chased 26 March 2024, 23 April 2024,
		12 July 2024, 12 August 2024, 4 December
		2024, 3 January 2025.
Minute 60	It was suggested that Section 6.1 a should be changed to 'any Councillor'.	Date Due: 27 March 2024
Whistleblowing		Officer Responsible: Ross Jago
Policy		Progress: Formal request sent 13 March
12 March 2024		2024. Chased 26 March 2024, 23 April 2024,
12 i iai cii 202 i		12 July 2024, 12 August 2024, 4 December
		2024, 3 January 2025.
Minute 60	It was suggested that 'MP's' be included in Section 6.1.	Date Due: 27 March 2024
Whistleblowing Policy		Officer Responsible: Ross Jago
		Progress: Formal request sent 13 March
12 March 2024		2024. Chased 26 March 2024, 23 April 2024,
		12 July 2024, 12 August 2024, 4 December 2024, 3 January 2025.

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# Audit and Governance Committee - Tracking Decisions 2024/25

Minute 60	Ross Jago (Head of Governance, Performance and Risk) agreed to provide	Date Due: 27 March 2024
	information to the Committee on process if the Service Director was the	
Whistleblowing Policy	subject of a Whistleblowing issue.	Officer Responsible: Ross Jago
-		Progress: Formal request sent 13 March
12 March 2024		2024. Chased 26 March 2024, 23 April 2024,
		12 July 2024, 12 August 2024, 4 December
		2024, 3 January 2025.
Minute 19	Review the efficiency and effectiveness of these changes at an Audit and	Date Due: 11 March 2025
Recommendation 2	Governance Committee meeting in March 2025.	
		Officer Responsible: Ross Jago
Constitutional		
Update		<b>Progress:</b> Added to the work programme 24
		July 2024 for the 11 March 2024 meeting.
23 July 2024		
Minute 23a & 23l	The Annual Information Governance Statement report was to be split	Date Due: July 2025
	into Part I and Part II. Furthermore, it would include benchmarking	060 0 111 11 5: 1
Annual	figures, if obtained, on numbers of requests.	Officer Responsible: John Finch
Information		<b>D</b> D
Governance		<b>Progress:</b> Requested for the July 2025
Statement		meeting.
23 July 2024		
Minute 46	The Committee agreed to recommend the Treasury Management	Date Due: March 2025
_	Strategy 2025/26 to City Council for approval.	
Treasury		Officer Responsible: Wendy Eldridge/Ross
Management		Jago
Strategy 2025/26		
12 November 2024		<b>Progress:</b> Due on agenda for March 2025.
Minute 47	The Committee agreed to recommend the Capital Financing Strategy to	Date Due: March 2025
i illucc 17	City Council for approval.	Succ Suc. Harch 2025
	City Courier for approval.	

Tracking Decisions 2024/25

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# Audit and Governance Committee - Tracking Decisions 2024/25

Capital Financing		Officer Responsible: Wendy Eldridge/Ross
Strategy 2025/26		Jago
12 November 2024		<b>Progress:</b> Due on agenda for March 2025.
Minute 56	The Committee agreed to recommend the Chair of the Audit and Governance Committee should meet with Council officers and Grant	Date Due: 10 February 2025
Auditors Annual	Thornton auditors on a regular basis to ensure documents were not	Officer Responsible: Oliver
Report	brought before Committee late again.	Woodhams/Carolyn Haynes
II December 2024		<b>Progress:</b> Update will be available from 8/9 January 2025.
Minute 62	Minutes for the 12 November 2024 and 11 December 2024 meetings to be updated and brought to the February 2025 meeting of the Committee	Date Due: 31 January 2025
Minutes		Officer Responsible: Hannah Chandler- Whiting
14 January 2025		•
• •		Progress: Edited minutes circulated to Committee members and republished online as draft on 14 January 2025.
Minute 65	Grant Thornton would provide a response outside of the meeting to	Date Due: 29 January 2025
Fretamal Auditan	Committee Members on how assets that might have had a low value when	Officer Bear and the Decides have a Count
External Auditor – Audit Progress	new but were, at present time, valuable, would be dealt with;	Officer Responsible: David Johnson (Grant Thornton)
Report and Sector		
Updates		<b>Progress:</b> Response shared with Committee members via email on 03 February 2025.
14 January 2025		,
Minute 70	The link to the self-assessment would be reshared with Committee members and substitutes along with the terms of reference for the	Date Due: 20 January 2025
Committee Self-	Committee.	Officer Responsible: Hannah Chandler-
Assessment		Whiting

Tracking Decisions 2024/25

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# Audit and Governance Committee - Tracking Decisions 2024/25

14 January 2025	Progress: Complete. Sent via email on 14
	January 2025.

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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
	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
23 July 2024	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
	Update on External Audit Recommendations	Standing Item (Verbal Update)	David Northey

10	Capitalisation Direction Update		David Northey
September	Internal Audit Progress Report		Louise Clapton
2024	Committee Self-Assessment		David Northey/Ross Jago
	Health, Safety and Wellbeing Annual Report 2023/24	Annual Report	Kirstie Spencer
	Family of Companies		Liz Bryant
	Plymouth City Council Audit Plan 2023/24		Jackson Murray
	Interim Auditor's Annual Report		Jackson Murray
	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
November	Treasury Management Mid-Year Review	Annual Report	Wendy Eldridge
2024	Risk Management Monitoring Report	M 16	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
II December 2024 (Additional Meeting)	Approval of Statement of Accounts 2021/22 and 2022/23		Carolyn Haynes/Paul Dossett
	External Auditor Update	.,	Jackson Murray
	Capitalisation Direction Update	Verbal Update	David Northey
	Update on External Audit Recommendations	Standing Item	David Northey
	Treasury Management Board Update	Verbal Update	Wendy Eldridge
l 4 January 2025	Adult Social Care Debt Management 2024/25	Requested at the November 2024 meeting	Devon Audit Partnership
	Procurement Readiness Action Plan		Holly Golden
	Committee Self-Assessment	Added during 10 September 2024 meeting	Ross Jago

	Update on External Audit Recommendations	Standing Item	David Northey
	Capitalisation Direction Update	Verbal Update	David Northey
	Treasury Management Strategy		Wendy Eldridge
	Capital Management Strategy		Wendy Eldridge
18 February	External Audit – Audit Findings Report 2023/24		Jackson Murray
2025 (Additional	Approval of Statement of Accounts 2023/24		Carolyn Haynes
Meeting)	Adult Social Care Debt Management	Identified for further consideration at the January 2025 meeting	Devon Audit Partnership/David Northey/Gary Walbridge
	Civic Protocol		Glenda Favor- Ankersen/Maddie Halifax
	External Audit Progress Report		Jackson Murray
	Update on External Audit Recommendations	Standing Item	David Northey
	Capitalisation Direction Update		David Northey
	Internal Audit Strategy and Charter 2025/26	Annual Report	Louise Clapton
	Internal Audit Plan 2024/25		Louise Clapton
	Treasury Management Practices Principles and Schedules 2025/26	Annual Item	Wendy Eldridge
	Quarterly Prudential Indicators	Quarterly Report	Wendy Eldridge
II March 2025	Audit and Governance Annual Report (to include Committee Self- Assessment)	Annual Report	Ross Jago
	Review of efficiency and effectiveness of Constitutional Updates	Identified for consideration at the July 2024 meeting.	Ross Jago
	Risk Management Monitoring Report		Ross Jago
	Data to Intelligence Strategy	Review Identified for consideration at the November 2024 meeting	Ross Jago
	Anti-Bribery and Corruption Policy		Ken Johnson
	Whistleblowing Policy	Annual Review	TBC
01 April 2025	Procurement Strategy	Update every 6 months	Holly Golden
April 2025	Pre-Election Period Guidance	Identified for consideration at the July 2024 meeting.	Liz Bryant

Items to be scheduled for 2024/25				
2024/25				
	Items to be scheduled for 2025/26			
2025/26	Regulatory Regimes	Identified for consideration at the March 2024 meeting.	Ross Jago	
2025/26 (After June 2025)	IFRS16 – Low Value Leases	Identified for consideration at the January 2025 meeting.	Carolyn Haynes	