



## **Oversight and Governance**

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## **AUDIT AND GOVERNANCE COMMITTEE**

Tuesday 20 January 2026

2.00 pm

Council House, Plymouth

### **Members:**

Councillor Allen, Chair

Councillor Finn, Vice Chair

Councillors Cuddihee, P.Nicholson, Raynsford and Sproston.

Independent Member Mrs 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**

Councillors will be asked to make any declarations of interest in respect of items on the agenda.

### **3. Minutes**

**(Pages 1 - 12)**

To confirm the minutes of the meeting held on 18 November 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. Action Log**

**(Pages 13 - 16)**

### **6. Work Programme**

**(Pages 17 - 20)**

### **7. External Auditor Findings Report**

**(Pages 21 - 84)**

### **8. Update on External Audit Actions**

**(Verbal Report)**

### **9. Final Statement of Accounts 2024/25**

**(Pages 85 - 272)**

### **10. Capital Finance Strategy**

**(Pages 273 - 292)**

### **11. Treasury Management Strategy**

**(Pages 293 - 332)**

### **12. Risk Management Strategy Update**

**(Pages 333 - 340)**

### **13. Armada Way Action Plan Sub-Group Update**

**(To Follow)**

### **14. Cyber Security Update on Management Actions**

**(To Follow)**

### **15. Exempt Business**

To consider passing a resolution under Section 100A(4) of the Local Government Act, 1972 to exclude the press and the public from the meeting for the following items of

business, on the grounds that they involve the likely disclosure of exempt information, as defined in paragraph 3 of Part 1 of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

## **16. Cyber Security Update on Management Actions**

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## Audit and Governance Committee

**Tuesday 18 November 2025**

**PRESENT:**

Councillor Allen, in the Chair.

Councillors Cuddihee, P.Nicholson, Raynsford and Sproston.

Independent Member Mrs Annette Benny.

Apologies for absence: Councillor Finn.

Also in attendance: Peter Burgoyne (Senior Counter Fraud Officer, Devon Audit Partnership), Hannah Chandler-Whiting (Democratic Advisor), Louise Clapton (Audit Manager, Devon Audit Partnership), Wendy Eldridge (Lead Accountancy Manager), Glenda Favor-Ankersen (Head of Electoral Services) (via Microsoft Teams), Carolyn Haynes (Lead Accountancy Manager), Bradley Hutton (Devon Assurance Partnership), Barrie Morris (Grant Thornton), Dan Povey (Grant Thornton) (via Microsoft Teams), Tony Rose (Head of Devon Assurance Partnership), Jamie Sheldon (Senior Governance Advisor), Ian Trisk-Grove (Service Director for Finance), and Ollie Woodhams (Head of Finance).

The meeting started at 2.00 pm and finished at 3.41 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.*

**34. Declarations of Interest**

No declarations of interest were made.

**35. Minutes**

The minutes of the meeting held on 16 September 2025 were agreed as an accurate record.

**36. Chair's Urgent Business**

Councillor Allen made members aware that there was an update on the capitalisation direction and Ian Trisk-Grove (Service Director for Finance) gave the following update:

- a) The capitalisation direction had been approved;
- b) A press release had been issued;
- c) It would be announced on the GOV UK website shortly.

37. **Interim External Auditor's Annual Report**

Barrie Morris (Grant Thornton), supported by Dan Povey (Grant Thornton) introduced the item and discussed:

- a) A final version of this report would be provided to the Committee in early 2026;
- b) In terms of financial sustainability, significant weaknesses had been identified, and key recommendations had been made to combat financial challenges that the Council faced;
- c) Recommendations covered developing and implementing the Council's transformation plan, which in turn identified savings needed to balance the medium-term financial strategy, to protect the level of reserves held;
- d) Focus was being placed on reducing the annual dedicated school grant deficit, which was significant and growing fast;
- e) Delivering mitigating actions to manage cost and demand in social care, within both adults and children's services, which were issues faced by many English local authorities;
- f) Economy efficiency and effectiveness had been identified as an area of weakness, and one key recommendation had been raised in relation to the SEND improvement notice the Council was issued in 2023;
  - i. Improvements had been made since the notice was issued;
- g) No key recommendations or identification of significant weaknesses for governance arrangements had been made;
- h) Opportunities to strengthen arrangements had been identified across several areas, including delivering the Armada Way action plan, which was progressing well, enhancing procurement and contract management oversight, and continuing to improve performance management.

Supported by Ian Trisk-Grove (Service Director for Finance), in response to questions, the following was discussed:

- i) A need to focus on developing a pipeline of savings that the Council could use to cover multi-years and would allow it to progressively address any budget gaps, of approximately £30 million, over the period of the Medium Term Financial Strategy (MTFS);
- j) Long term savings initiatives;
- k) The opportunity to identify and embed the transformational changes required, including the savings plans already in place;
- l) Many councils were relying on reserves, which was only a short-term solution and could not be repeated once depleted;

- m) It was right to view this report as a clear warning and a prompt for continued focus and action;
- n) A number of local authorities were in significantly more challenging positions, with many seeking exceptional financial support from government to fund day to day activities and several had issued Section 114 notices, meaning they had effectively run out of money, while others had approached government early to avoid reaching that point. Statutory reporting confirmed this wider trend. Plymouth City Council was not at that stage, but this was the moment to take action to avoid deterioration;
- o) Plymouth City Council's (PCC) financial sustainability depends on the resources it received and therefore had to focus on what it could control: delivering statutory services as efficiently as possible, learning from councils that had required support or intervention, and reviewing the affordability of discretionary services;
- p) The Dedicated Schools Grant and Education Health and Care Plan pressures were of significant national concern;
- q) The assessment was based on the arrangements in place in 2024 to 2025 and the MTFS so the auditors had not attempted to predict outcomes of the fair funding review or SEND reforms, as government announcements had not yet been made, but future multi-year settlements would help with planning;
- r) The Council is actively developing a medium- and long-term transformation programme, with dedicated programme management, to address major demand pressures in areas such as children's placements, adult social care and homelessness;
- s) Action was ongoing, but this remained a point in time within a shifting national context;
- t) It wasn't yet known how the new three-year settlement would be structured, but in principle it was significantly more helpful for future planning, particularly for programmes such as City Help and Support that were designed to deliver medium and long-term change.

38.

## **Update on External Audit Actions**

Ian Trisk-Grove (Service Director for Finance) introduced the item and highlighted the following:

- a) Grant Thornton were currently on site conducting the year-end external audit, with in-person working taking place rather than hybrid arrangements;
- b) A number of recommendations discussed at the previous committee meeting had been addressed, with some still in progress;
- c) Outstanding actions primarily related to non-current and fixed asset recommendations, for which additional steps had been implemented pending external audit review;
- d) The outcome of the current audit would confirm whether these actions had adequately addressed the identified issues and whether any further recommendations were required;

- e) The outstanding recommendations mainly related to capital assets, land and buildings, where the Council had put additional controls in place;
- f) Key steps had been taken on the value for money recommendations, including work on the transformation programme, the SEND inspection response and the management actions and were reported through to the corporate management team for visibility.

39. **Counter Fraud Services Report 2025/26**

Tony Rose (Devon Assurance Partnership), supported by Peter Burgoyne (Senior Counter Fraud Officer, Devon Audit Partnership) introduced the report and highlighted:

- a) The National Fraud Initiative (NFI) data-matching exercise had been completed, and the team were reviewing the results. A full update would be provided in the end-of-year report;
- b) A significant new area arising from the NFI was “career polygamy”, where individuals worked for two employers simultaneously, which had increased due to home working. The team was assessing how to ensure the Council was protected and able to respond appropriately;
- c) New NFI data requirements on residential care home and personal care data had been met. The relevant teams provided the information promptly, and matches were now awaited from the NFI;
- d) The Economic Crime and Corporate Transparency Act 2023 had come into effect, introducing “failure to prevent fraud” obligations. The Council’s fraud policy had been updated accordingly, and all policies and procedures would continue to be reviewed to ensure compliance and strong defences, aligned with best practice guidance from CIPFA.

In response to questions, the following was discussed:

- e) The matches for career polygamy had been received from the NFI, which required all public bodies to submit data, including payroll information, and this had highlighted cases where people appeared to be working for two authorities at once;
- f) Referrals were not being received from HMRC at that time, though this was likely to happen in the future;
- g) Some cases might involve fraud, but others might simply be individuals not understanding the rules, and some people legitimately had two jobs, so the focus was on identifying situations where someone was being paid at the same time for the same work, and ensuring the Council had the right policies to prevent this.

The Committee agreed:

- I. To note the report.

40. **Internal Audit Half Year Report 2025/26 and Management Action Tracking Update Quarter 2**

Louise Clapton (Devon Assurance Partnership), supported by Gareth Sampson (Operations Development Manager for Social Care) introduced the report and highlighted:

- a) The report outlined progress against the approved internal audit plan and provides a mid-year assurance opinion on the adequacy and effectiveness of the Council's internal controls;
- b) A reasonable assurance opinion had been issued, confirming that governance and control arrangements were generally sound, though some areas needed further improvement to support strategic objectives;
- c) At the half-year point, 59% of the audit plan was complete or in progress, and 76% of completed audits had received reasonable or substantial assurance;
- d) Some audits had been deferred to the next financial year due to ongoing strategic programmes, external reviews, or capacity constraints. These would be reassessed during audit planning for the next cycle;
- e) Audit coverage continued to be aligned with organisational risks and priorities, with assurance delivered in a timely and responsive way;
- f) The update tracked progress on implementing management actions from limited assurance audits;
  - i. There were 13 limited assurance audits with outstanding actions at the mid-year point;
  - ii. Of 108 agreed actions, 59 had been completed and 49 remained outstanding;
  - iii. 11 actions were overdue by more than 90 days;
  - iv. Four actions were currently on hold due to system changes or resource constraints;
  - v. A breakdown of outstanding actions by audit area and officer commentary on overdue items had been provided;
- g) The tracking process ensured risks identified through audit were being mitigated, and internal audit would continue to work with management to progress outstanding actions and report back.

Supported by Ian Trisk-Grove (Service Director for Finance), the following was discussed in response to questions;

- h) There had been a strong push from the corporate management team to support officers in progressing management actions;

- i) Many of the outstanding items were complex;
- j) Two major actions remained overdue because the Eclipse upgrade was still awaiting a final software development;
  - i. Earlier phases were completed in 2022 and 2023, and the Eclipse Board had agreed to begin negotiations with the manufacturer, with the intention of placing an order before the new year and starting implementation in the new financial year;
  - ii. Improvements had already been made in CareFirst to provide better reporting and clarity, and reporting to the NHS had increased. Once the Eclipse finance module was implemented, the Council would be able to fully complete this audit work and use improved functionality to show joint-funded costs clearly;
  - iii. Eclipse had stronger cybersecurity protection than the CareFirst system.
- k) A full cybersecurity update would come to the committee in January 2026, and the topic had already been considered by Scrutiny Management Board, with substantial work underway.

The Committee agreed:

I. To note the report including:

- The assurance position presented within this report, including progress toward the annual internal audit opinion;
- The delivery of audit work against the approved plan, including any in-year adjustments;
- The scope, capacity, and resourcing of the internal audit function to complete its planned work;
- The key audit findings and any significant issues or themes arising from completed engagements;
- The performance of the internal audit service;
- The proposed in-year changes to the audit plan, and that these remain aligned to organisational risk and priorities.

41. **2025-26 Quarter 2 Risk Management Update**

Bradley Hutton (Devon Assurance Partnership), supported by Ian Trisk-Grove (Service Director for Finance) introduced the report and highlighted:

- a) 14 strategic risks had been identified, with brief descriptions and current risk scores included in the report;

- b) The value of the support from the Devon Insurance Partnership and highlighted that this work forms part of evolving the Council's approach to risk, improving language, understanding and alignment between strategic and operational risks;
- c) Improvements had been made to the presentation of the risk register, including adding the previous register for traceability and introducing a heat map to support visibility and maturity of risk management;
- d) It was acknowledged that the circulated risk register format was difficult to read due to small font size. A more accessible version would be circulated to accommodate members' needs, following similar feedback from the Scrutiny Management Board.

The Committee agreed:

- I. To note the report.

#### 42. **Treasury Management Mid-Year Report 2025/26**

Wendy Eldridge (Lead Accountancy Manager) and Ollie Woodhams (Head of Finance) introduced the report and highlighted:

- a) The report fulfilled the requirement under the Treasury Management Code of Practice for the Council to report its treasury performance twice yearly. This was the mid-year review covering activity for 2025/26 up to 30 September 2025;
- b) The report compared actual treasury activity with the structure approved in the February 2025 annual budget;
- c) External economic context had been provided by Arlingclose, the Council's treasury advisers;
- d) The report highlighted the scale of the SEND (Special Education Needs and Disabilities) deficit and the statutory override, noting the impact on the Council's balance sheet and borrowing requirements;
  - i. The SEND deficit was currently forecast to reach £54 million by March 2026 and was incorporated into borrowing forecasts;
  - ii. A balance sheet summary showed increasing net borrowing to meet both the SEND deficit and cash flow requirements for capital schemes not funded by external grants;
  - iii. The liability benchmark showed that including the SEND deficit increased the borrowing requirement above the preferred benchmark level;
  - iv. When the SEND deficit was excluded, long-term borrowing was within the expected range;

- e) Borrowing increased in the first half of the year; the Council had made use of money market funds to hold borrowing at favourable rates until existing loans mature;
- f) A recommendation was proposed to increase the money market fund limit per counterparty from £12 million to £15 million, following benchmarking against similar councils;
- g) The borrowing strategy included reviewing LOBO (Lender option borrower option) loans and taking opportunities to borrow at advantageous rates, which the Council had done;
- h) The treasury management revenue budget was broadly balanced. Higher borrowing costs from securing loans early had been offset by increased interest income;
- i) Commercial investments made under previous rules total around £230 million, generating forecast net income of £12 million;
- j) A prudential indicator had been exceeded due to a higher level of fixed long-term borrowing than originally anticipated;
- k) A recommendation was made to increase the fixed rate target to allow flexibility in securing borrowing at beneficial rates over the next few months.

In response to questions, supported by Ian Trisk-Grove (Service Director for Finance), the following was discussed:

- l) The interest rate exposure showed borrowing over 365 days, while it also stated that borrowing was typically secured over 364 days - the one-day difference determined whether borrowing was treated as fixed or variable;
- m) Fixed borrowing gave certainty, but keeping some variable borrowing provides flexibility to secure cheaper rates when they fell, although it also carried the risk that rates may rise when the borrowing was refinanced;
- n) The government had extended the DSG deficit override by two years and had confirmed that this national issue would be addressed through upcoming announcements, including the policy statement, the provisional settlement, and most importantly the white paper in January 2026. Based on the information available, the government recognised the problem and intended to respond through these forthcoming measures;
- o) It could not be assumed that the Government would refund the deficit, so the Council could not make any allowance for future reimbursement in its accounts. The position would only become clear once the government issues the white paper in January 2026;
- p) The MTFS explicitly highlighted the DSG deficit, its growth from £18 million to a projected £54 million, and the impact on Plymouth. This demonstrated that the Council was formally calling out the problem through its reporting;

- q) The Council's current approach was to present the facts and the financial impact of the deficit while awaiting the government's white paper, which would set out the required next steps;
- r) The treatment of reserves was usually reported through the MTFS, and this would be addressed in more detail as we move closer to setting the 2026–27 budget;
- s) Based on advice from treasury management advisors, the current approach was to place more emphasis on fixing borrowing because although interest rates were expected to fall, they would not return to previous low levels. Fixed borrowing over three to five years would give greater certainty and protect the Council from interest rate risk;
- t) Some variable borrowing would be retained, partly because of the rate swap, but increasing the fixed rate limit provided flexibility to make the best decisions at the time;
- u) The gap between fixed and variable rates changed throughout the year. Early in the year many councils were cash heavy and offered lower variable rates, but later in the year variable borrowing was often more expensive. Increasing the fixed rate limit gave us flexibility to secure favourable fixed rates when they appeared, without compromising the borrowing rates. It ultimately depends on the market conditions at the time;
- v) The prudential indicators provided the framework that allowed the team to act within the approved strategy and make the best borrowing decisions as market conditions changed.

The Committee unanimously agreed to:

1. To endorse the midyear treasury management report 2025/26 to full Council;
2. To note the impact creating by borrowing for the SEND deficit and liability benchmark exposure to high borrowing, exceeding capital financing requirements.
3. To note non-compliance with the Treasury management indicator for interest rate exposure through upper limit on fixed rate exposure, explained by paragraph 12.3 of the report;
4. To endorse the following recommendations to Full Council;
  - i. Increase the upper limit for fixed interest exposure to 100%;
  - ii. Increasing the counterparty limit from £12 million to £15 million for investment in money market funds.

#### 43. **Capital Programme Financial Risk Management**

Ollie Woodhams (Head of Finance) highlighted:

- a) A high level review of risk was carried out, focusing on the capital programme as a whole rather than individual projects;

- b) The first four risks were managed at individual project or programme level, such as Highways Maintenance and Facilities Management maintenance;
- c) The final three risks, relating to financing of capital investment, overall affordability, and financial governance and oversight, were managed across the entire programme;
- d) Benchmarking work had recently been completed to assess overall affordability of the capital programme;
- e) The audit findings report considered earlier in the meeting included an improvement recommendation on affordability;
- f) A wider review of the capital programme was underway and the results would come to Committee in January 2026 as part of the capital strategy report;
- g) Work was ongoing in response to the Armada Way Independent Learning Review recommendations, this work was being looked at by the Audit and Governance Sub-Committee: Armada Way Independent Learning Review Action Plan.

In response to questions, the following was discussed:

- h) Effectiveness varied between projects due to the diverse and often high-risk nature of Plymouth's capital programme, particularly regeneration and historic asset work. Cost overruns and delays occurred where unforeseen issues arise;
- i) Overall, gateway processes and financial governance were strong, with tight controls through the Capital Programme Officer Group and good practice was emerging in larger projects;
- j) Some processes could be improved, and ongoing work following the Armada Way review aimed to strengthen governance further;
- k) Contingency levels were set on the advice of cost consultants and varied depending on project risk, with higher contingencies for older buildings or unknown ground conditions. Safety was non-negotiable under construction and building safety regulations. Quality and cost were balanced with decisions made early in design to ensure the best outcome within available budgets;
- l) Record keeping in 2025 was far better than in the past. Modern projects now required full design and build documentation, which was stored in the asset management system, however, older projects from the 1950s-1980s often had limited or incomplete records because such documentation was not produced or retained at the time;
- m) Facilities management maintained updated condition and service records in the asset management system, and overall record keeping was understood to be much improved compared with the past;
- n) Ensuring all parties update and maintain reliable information was essential to avoid future problems.

The Committee agreed:

- I. To note the report.

44. **Armada Way Action Plan Sub- Group Update**

Jamie Sheldon (Senior Governance Advisor, Democratic Services) presented the item and highlighted:

- a) The sub-committee received updates on six key areas: governance, project management, consultation and engagement, environmental regulations, employee wellbeing, and training and development;
- b) The sub-committee were satisfied with the progress that had been made.

45. **Action Log**

The Committee noted its action log.

46. **Work Programme**

During this item:

- a) Councillor Raynsford enquired about the Plymouth Waterfront Partnership BID, and when this might be looked at by Councillors, and Hannah Chandler-Whiting (Democratic Advisor) advised that it was on the work programme for the Natural Infrastructure and Growth Scrutiny Panel in early 2026.

The Committee noted its work programme document.

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## Audit and Governance Committee – Action Log 2025/26

Key:	
	Complete
	In Progress
	Not Started
	On Hold

Minute No.	Resolution	Date Due & Progress
Minute 42  <b>Risk Management Monitoring Report November 2023</b>  28 November 2023	A SharePoint page would be created for members of the Committee, to see risk management information in near real time.	<b>Date Due:</b> February 2026  <b>Officer Responsible:</b> Paul Stephens/Ian Trisk-Grove  <b>Progress:</b> Request formally made to Ross Jago 1 December 2023. Chased 26 March 2024, 23 April 2024, 12 July 2024, 01 April 2025. Request made to Paul/Ian 19 June 2025. Chased 21 November 2025. Page is in development, access/permissions issues to be resolved.
Minute 94i  <b>Civic Protocol</b>  11 March 2025	Officers would share information on the last investigation into the cost of repairs for the Lady Astor diamonds.	<b>Date Due:</b> December 2025  <b>Officer Responsible:</b> Glenda Favor-Ankersen/Maddie Halifax  <b>Progress:</b> Complete. Response shared via email 05 December 2025.
Minute 100	The letter with regards to the capitalisation direction would be shared with Committee members when it was available.	<b>Date Due:</b> TBC  <b>Officer Responsible:</b> Ollie Woodhams/Ian Trisk-Grove

## Audit and Governance Committee – Action Log 2025/26

<b>Audit Progress Report and Sector Updates</b>  01 April 2025		<b>Progress:</b> Complete. Letter shared via email on 26 November 2025.
<b>Work Programme</b>  01 April 2025	Minute 105  The Committee agreed to do a task and finish on constitution under the name of the "constitutional review group" specifically to look at the way in which a Lord Mayor is elected which would report back to the Committee in 2025/26.	<b>Date Due:</b> March 2026  <b>Officer Responsible:</b> Glenda Favor-Ankersen  <b>Progress:</b> Suggested that these changes are considered along with any identified as part of the Armada Way Independent Learning Review Action Plan.
<b>Annual Governance Statement</b>  22 July 2025	Minute 11c  Any changes to the constitution could be considered by the Constitution and Civic-Sub Committee, following any relevant recommendations from the Armada Way Action Plan Sub-Committee.	<b>Date Due:</b> March 2026  <b>Officer Responsible:</b> Liz Bryant  <b>Progress:</b> Dependent on whether the AW Sub-Committee makes any recommendations to change the constitution.
<b>Annual Governance Statement</b>  22 July 2025	Minute 11e  It was suggested that for the next AGS statement a survey would also be undertaken to seek the views of Councillors, as well as those of senior officers.	<b>Date Due:</b> May 2026  <b>Officer Responsible:</b> Jamie Sheldon  <b>Progress:</b> Informed of action. Awaiting timeline based on next deadline for an AGS.
<b>Whistleblowing Policy</b>	Minute 17b  It was requested that paragraph 7.1 (g) be reworded to 'their individual MP'	<b>Date Due:</b> 05 August 2025  <b>Officer Responsible:</b> Liz Bryant

**Audit and Governance Committee – Action Log 2025/26**

22 July 2025		<b>Progress:</b> Formal request made 24 July 2025. Chased 07 October 2025, 21 November 2025 and 16 December 2025.
Minute 17c  <b>Whistleblowing Policy</b>  22 July 2025	More information on how contractors were made aware of the Whistleblowing Policy would be provided to the Committee.	<b>Date Due:</b> 05 August 2025  <b>Officer Responsible:</b> Liz Bryant  <b>Progress:</b> Formal request made 24 July 2025. Chased 07 October 2025, 21 November 2025 and 16 December 2025.
Minute 26o  <b>Internal Audit Progress Report 2025/26</b>  16 September 2025	Eclipse system implementation was flagged for further update and clarification on its function and importance.	<b>Date Due:</b> 08 November 2025  <b>Officer Responsible:</b> Ian Trisk-Grove/Gareth Sampson  <b>Progress:</b> Update provided at the 18 November 2025 meeting.
Minute 30h  <b>Pre-referendum guidance compared to pre-election guidance</b>  16 September 2025	A lessons learned report relating to the pre-referendum period would be developed.	<b>Date Due:</b> 31 December 2025  <b>Officer Responsible:</b> Liz Bryant  <b>Progress:</b> Formal request made 24 October 2025. Chased 21 November 2025.
Minute 30j  <b>Pre-referendum guidance</b>	Concerns were raised about staff awareness of Councillor roles and how this could be covered within the training that was being developed.	<b>Date Due:</b> 31 December 2025  <b>Officer Responsible:</b> Chris Squire

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**Audit and Governance Committee – Action Log 2025/26**

<b>compared to pre-election guidance</b>  16 September 2025		<b>Progress:</b> Formal request made 24 October 2025.
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## Audit and Governance Committee

Work Programme 2025/26



PLYMOUTH  
CITY COUNCIL

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(s)
22 July 2025	Role of an Audit Member	Annual Standing Item (Verbal Report)	Barrie Morris/Grace Hawkins
	Plymouth City Council Audit Plan 2024/25	Required	Barrie Morris/Grace Hawkins
	Draft Statement of Accounts 2024/25	Required	Carolyn Haynes
	CIPFA assurance review – findings and response	Verbal Update	Ollie Woodhams/Ian Trisk-Grove
	Annual Governance Statement	Annual Report	Jamie Sheldon
	Armada Way Action Plan Sub-Committee Report	Added following City Council on 02 June 2025	Liz Bryant
	Health, Safety and Wellbeing Annual Report 2024/25	Annual Report	Kirstie Spencer
	Internal Audit End of Year Report 2024/25	Annual Report	Louise Clapton
	Counter Fraud Annual Report 2024/25	Annual Report	Tony Rose
	Treasury Management Outturn Report 2024/25	Required	Wendy Eldridge
	Procurement Strategy	6 month update	Holly Golden
	Risk Management Monitoring Report	Update Report	Paul Stephens
	Whistleblowing Policy	Annual Report (delayed from March 2025)	Liz Bryant
	Annual Information Governance Statement	Annual Report	John Finch
16 September 2025	External Audit Report		Barrie Morris/Grace Hawkins
	Update on External Audit Actions		Ian Trisk-Grove
	Internal Audit Review of Financial Management Framework	Added August 2025	Louise Clapton
	Internal Audit Progress Report		Louise Clapton

	Risk Management Strategy	Standing Item	Bradley Hutton/Ian Trisk-Grove
	IFRS16 Leases	Identified for consideration at the January 2025 meeting.	Carolyn Haynes
	Pre-referendum Guidance compared to Pre-election Guidance	Identified for consideration at the July 2025 meeting.	Liz Bryant
	Armada Way Action Plan Sub-Committee	Added August 2025	Liz Bryant
	Engagement and Consultation Framework	Added August 2025	Ellie Firth/Prof Steve Maddern
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18 November 2025	Interim Auditor's Annual Report	Update	Barrie Morris/Grace Hawkins
	Update on External Audit Actions	Update	Ian Trisk-Grove
	Counter Fraud Half Year Report	Half Year Report	Tony Rose
	Internal Audit Half Year Report	Half Year Report	Louise Clapton
	Risk Management Monitoring Report	Standing Item	Ian Trisk-Grove/Bradley Hutton
	Treasury Management Mid-Year Review	Annual Report	Wendy Eldridge
	Cost Risk Management of Capital Programme	Identified for consideration at the February 2025 meeting.	Ollie Woodhams
	Armada Way Action Plan Sub-Group Update	Following the Sub Group's October 2025 Meeting	Liz Bryant
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20 January 2026	External Auditor Findings Report		Barrie Morris/Grace Hawkins
	Update on External Audit Actions	Verbal Report	Ollie Woodhams
	Final Statement of Accounts 2024/25	Added 16 September 2025	Carolyn Haynes
	Capital Finance Strategy	Annual Report	Wendy Eldridge/Ollie Woodhams
	Treasury Management Strategy	Annual Report	Wendy Eldridge/ Ollie Woodhams
	Risk Management Strategy Update	Standing Item	Bradley Hutton
	Armada Way Action Plan Sub-Group Update	Following the Sub Group's December 2025 meeting	Liz Bryant
	Cyber Security Update on Management Actions	Identified for consideration during 16	Peter Honeywell

		September 2025 meeting	
<b>10 March 2026</b>	External Auditor Update		Barrie Morris/Grace Hawkins
	Update on External Audit Actions		David Northey
	Internal Audit Strategy and Charter 2026/27	Annual Report	Louise Clapton
	Internal Audit Plan 2026/27	Annual Report	Louise Clapton
	Treasury Management Practices Principles and Schedules 2026/27	Annual Item	Wendy Eldridge
	Anti-Bribery and Corruption Policy	Annual Report	Tony Rose
	Whistleblowing Policy	Annual Review	Liz Bryant
	Procurement Strategy	Update every 6 months	Holly Golden
	Audit and Governance Annual Report (to include Committee Self-Assessment)	Annual Report	Jamie Sheldon/Glenda FAVOR-ANKERSEN
	Update on Adult Social Care Debt Management	Identified for consideration at the February 2025 meeting.	Louise Clapton
<b>Items to be scheduled for 2025/26</b>			
<b>2025/26</b>	Regulatory Regimes	Identified for consideration at the March 2024 meeting.	Ross Jago
<b>Items to be scheduled for 2026/27</b>			
<b>2026/27</b>	Eclipse system implementation limited assurance	Identified for consideration at September 2025 meeting	Gary Walbridge
<b>2025/26</b>	Financial Regulations within the Constitution Update		David Northey
<b>2025/26</b>	Elected Members Engagement and Consultation Document	Identified for consideration at the September 2025 meeting.	Ellie Firth

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# **Audit Findings (ISA 260) Report for Plymouth City Council**

Year ended 31 March 2025

12 January 2026



**Plymouth City Council**

Ballard House  
26 West Hoe Road  
Plymouth  
PL13 8BJ

12 January 2026

Dear Members of the Audit & Governance Committee

**Audit Findings for Plymouth City Council for the 31 March 2025**

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.

**Chartered Accountants**

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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 manage risk, quality and internal control particularly through our Quality Management Approach. 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-2024-.pdf \(grantthornton.co.uk\)](https://grantthornton.co.uk/transparency-report-2024-.pdf).

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.

Barrie Morris

Partner  
For Grant Thornton UK LLP

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**Chartered Accountants**

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# Headlines

# Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Plymouth City Council (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2025 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 Authority's financial statements give a true and fair view of the financial position of the Authority and the Authority's 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 undertaken during September 2025 – January 2026 (as planned). Our findings are summarised on pages 15 to 35. We have not identified any adjustments in our work to date to the financial statements that impact the Authority's Comprehensive Income and Expenditure Statement. These have no impact on the level of the Authority's usable reserves

Audit adjustments are detailed at page 41. We have also raised recommendations for management as a result of our audit work. These are set out at page 43. Our follow up of recommendations from the prior year's audit are detailed at page 46.

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

- resolution of the capital grants received in advance accounting treatment;
- completion of IFRS16 consideration and detailed testing;
- resolution of outstanding queries raised with management in relation to sample testing work undertaken;
- completion of the quality review process;
- receipt of management representation letter; and
- review of the final set of financial statements

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

Our anticipated financial statements audit report opinion will be disclaimer of opinion, subject to completion of the work outlined above, which we intend to issue in January 2026, please see page 10 for detail.

# 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 Authority 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 Authority’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 Authority’s arrangements under the following specified criteria:

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor’s Annual Report, which was presented to the November 2025 Audit & Governance Committee. We identified significant weaknesses in the Authority’s arrangements for financial sustainability and improving economy, efficiency and effectiveness and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (page 54).

# Headlines

## Statutory duties

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

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

We have completed the majority of work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until:

- where confirmation has not been received from the NAO that the group audit (Whole of Government Accounts for Local Government) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code;

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

## Significant matters

As part of our work we are required to test transactions back to supporting documentation to ensure that balances are accurately and appropriately disclosed. Within the expenditure population we identified a number of grossing up journals that each reversed numerous other transactions. In discussion with management, it was noted that the transactions reversed by these journals could not be easily identified and, therefore, we asked management to remove these. This was to reduce the sample sizes as balances are tested on an absolute basis and not removing these transactions increases the balances significantly. Further where we pick a grossing up journal, we cannot test this as it is not a single transaction. As these are a net zero within the balance we cannot test the underlying transactions and therefore have to pick an alternative transaction for testing. Following further investigation management confirmed that it was not possible to easily identify these transactions and therefore no further work was undertaken and we were required to include them within our sample. We have discussed with management the impact on the auditor time and will consider whether this has created delays in the audit and what is any additional fee would be due.

We also encountered delays in receiving information in relation to investments and borrowing meaning that this was not provided until late October and subsequently have met delays in getting third party confirmations.

We did not encounter any further significant difficulties or identify any significant matters arising during our audit.

# Headlines

## National context – audit backlog

### Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

# Headlines

## National context – local audit recovery

In the audit report for the year ended 31 March 2024, a disclaimer of opinion was issued due to the backstop legislation. We had previously 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 evidence that the financial statements were free from material misstatement. Therefore, we were unable to obtain sufficient appropriate audit evidence over the corresponding figures or whether there was any consequential effect on the Authority's Comprehensive Income and Expenditure statement for the year ended 31 March 2024 for the same reason.

As a result, for 2024/25:

- we have either limited or no assurance over the opening balances for 2024/25; and
- limited assurance over the closing reserves balance also due to the uncertainty over their opening amount.

Our aim for the 2024/25 audit has been to continue with rebuilding assurance. Therefore, our focus has been on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration and disclosures; and closing balances including valuation of both land and buildings and investment properties.

On 5 June 2025 the National Audit Office (NAO) published its "Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06" for auditors which sets out special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions. The key messages outlined within this guidance include rebuilding assurance through:

- tailored risk assessment procedures for individual audit entities, including assessments over risk of material misstatements of opening balance figures and reserves;
- designing and performing specific substantive procedures, such as proof-in-total approach;
- special considerations for fraudulent reporting, property, plant & equipment, and pension related balances.

We will discuss with you our strategy for rebuilding assurance, in the light of this year's audit, as part of our planning for 2025/26.

# Headlines

## Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

### Introduction

IFRS 16 updates the definition of a lease to:

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

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

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

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

### Impact on the Authority

Our work in this area is ongoing and we have considered:

- the adjustment made by management for leases now recognised on the balance sheet which we noted was not material;
- whether accounting policies and disclosures reflect management’s application of judgement, estimation and assumptions and the processes followed;
- related internal controls that required updating, if not fully revisiting, to reflect changes in accounting policies and processes;
- systems to capture the process and maintain new lease data and for maintaining this on an ongoing basis to keep information up to date;
- accounting for what assets have been identified as operating leases; and
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate.

We will:

- Review the calculations made by management for accuracy and whether these are in line with the requirements under IFRS16

# Materiality

# Our approach to materiality

As communicated in our Audit Plan dated 30 April 2025, we determined materiality at the planning stage as £10.4m based on 1.75% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft financial statements. Materiality has been updated to £12.5m based on the draft financial statements as there has been a significant increase of £127.1m in gross expenditure.

A recap of our approach to determining materiality is set out below.

## Basis for our determination of materiality

- We have determined materiality at £12.5m based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as prior year errors and misstatements and any significant deficiencies identified at planning.
- We have used 1.75% of gross expenditure as the basis for determining materiality.
- We have chosen gross expenditure as an appropriate benchmark as cost of services is the key driver for the Council and other comprehensive income items are generally non-cash items which are not connected to the running of the organisation.
- Our percentage benchmark has increased from 1.3% in 2023-24 to 1.75% in 2024-25.
- We have determined performance materiality at £8.125m, this is based on 65% of headline materiality. We have revised the performance materiality due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

## Specific materiality

- We have set a lower materiality for **individual** senior officer remuneration disclosures of £20k, on the basis of the sensitivity to public interest and the reader of the accounts.

## Reporting threshold

- We will report to you all misstatements identified in excess of £625k, in addition to any matters considered to be qualitatively material.

# Our approach to materiality

A summary of our approach to determining materiality is set out below.

	<b>Authority (£)</b>	<b>Qualitative factors considered</b>
Materiality for the financial statements	12,500,000	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 1.75% was an appropriate rate to apply to the expenditure benchmark as we have identified material adjustments in prior years and a large number of other issues and recommendations. Further we have backstopped previous audits and cannot, therefore, provide assurance over closing balances
Performance materiality	8,125,000	Our performance materiality has been set as 65% of our overall materiality. We are satisfied that 65% is appropriate as we have identified misstatements and issues in a number of different areas within the financial statements. We do not consider that there is evidence of systemic weaknesses in processes which would potentially give rise to misstatements
Specific materiality for Senior officer remuneration disclosure (Authority only)	20,000	Senior Officer Remuneration is considered sensitive and of particular interest to the reader of the accounts.
Reporting threshold	625,000	Calculated as a percentage of headline materiality and in accordance with auditing standards

# **Overview of significant and other risks identified**

# Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	High	●
Improper revenue recognition	Rebutted	↔	X	Medium	●
Risk of fraud related to expenditure recognition	Rebutted	↔	X	Medium	●
Valuation of land and buildings	Significant	↔	X	High	●
Valuation of investment property	Significant	↔	X	High	●
Valuation of net pension liability	Significant	↔	X	High	●
Remeasurement of leases and right of use assets including the PFI liability as at 1 April 2024	Other	↔	X	Medium	●

↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan

● Not likely to result in material adjustment or change to disclosures within the financial statements

○ Potential to result in material adjustment or significant change to disclosures within the financial statements

■ Likely to result in material adjustment or significant change to disclosures within the financial statements

# Significant risks

## Risk identified

### Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.

## Audit procedures performed

We have:

- evaluated the design effectiveness of management controls over journals;
- used Inflo, our data analysis software, 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, we followed these up with management and obtained sufficient explanations and corroboration for the reasons provided;
- 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 sample 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 consider their reasonableness; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions

## Key observations

Our testing of journals has identified the following issue:

- There is no formal approval process for 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. We noted that 127 users posted journals in the year and therefore can self authorise journals under £500k

Our testing has not identified any evidence of management bias within material estimates and judgements and we have not identified any further issues.

# Significant risks

Risk identified	Audit procedures performed	Key observations
<b>Improper revenue recognition</b>	<p>We have identified and completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams.</p> <p>Where we have rebutted the risk of fraud in revenue recognition for revenue streams this is due to the low fraud risk in the nature of the underlying transactions, or immaterial nature of the revenue streams both individually and collectively.</p>	<p>We have not identified any material adjustments or findings in relation to improper revenue recognition.</p>
<b>Risk of fraud related to expenditure recognition</b> <b>PAF Practice Note 10</b>	<p>We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk for the Council. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.</p>	<p>We have not identified any material adjustments or findings in relation to risk of fraud related to expenditure recognition.</p>

# Significant risks

## Risk identified

### 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 and sensitivity of this estimate to changes in key assumptions.

Where a rolling programme is used, management will need to ensure that the carrying value in the financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.

We therefore identified valuation of land and buildings as a significant risk

## Audit procedures performed

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 expert;
- 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; and
- tested revaluations made during the year to see if they had been input correctly into the Authority's asset register.

We have yet to complete our:

- evaluation of 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; and
- evaluation of assets valued at a date prior to year end to ensure there has been no material movement between the date of valuation and the year end.

## Key observations

Our testing has identified the following issues:

- The reconciliation between the fixed asset register (FAR) and the Valuer's report (VR) identified discrepancies on nine assets, resulting in a net impact of £172,326 comprising an overstatement of £573,250 on three assets and a £745,576 understatement on six assets. These variances have arisen due to timing differences and a subsequent delay in updating the FAR.
- Techforge (the Council's asset management system) calculates depreciation by dividing the brought-forward NBV by the remaining UEL. Our testing compares this to an alternative calculation based on brought-forward GBV divided by the total UEL. This identified a variance in one of the samples which management stated arises because Techforge uses NBV as the starting point, which incorporates prior-year issues and adjustments (such as impairments or revaluations). We recalculated the potential impact of these differences and concluded that if the discrepancies were caused by prior-year issues, the impact would not be material (estimated at approximately £1.96m overstatement).
- Please see next slide for issues identified from testing of assumptions

# Significant risks

## Key observations

### 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 £2,336k and estimation variances of £1,903k (which are unadjusted) for those assets sampled. Extrapolating the estimation differences over the full population of revalued assets gives a total potential estimation uncertainty of £2,662k which is immaterial. The issues identified were as follows:
  - incorrect floor areas applied in the calculation;
  - floor area documentation not being retained. We have used alternative audit procedures to assess the overall reasonableness of the areas used;
  - inconsistent application of external build costs;
  - non application of increased build costs for assets classed as listed;
  - incorrect average car park income applied to the valuation; and
  - inconsistent application of buyer's costs

We have noted a number of other issues in relation to the property, plant and equipment assumptions. The errors identified in 2024/25 are not material in isolation but there is a risk that on a cumulative basis there could be a material impact on the financial statements in future years. The impact of this work has been considered within the unadjusted misstatements table. We have raised a recommendation in appendix B.

# Significant risks

## Risk identified

### Valuation of investment property

The Council revalue its investment properties 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 (£219m at 31/03/25) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of an external valuer to estimate the fair value as at 31 March 2025.

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

## Audit procedures performed

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 expert;
- 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 Council's asset register; 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.

## Key observations

Our testing identified the following issues:

- Reconciliation between the fixed asset report (FAR) and valuer's report (VR) identified a variance of £342k due to management not using the final version of the VR when updating the FAR.
- 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 an extrapolated error of £1,801k (which are unadjusted). This was caused by a further review by the valuer which identified that the original value assigned to car parks was out of line with other similar assets and was subsequently updated.

No other issues have been identified in the course of our testing.

# Significant risks

Risk identified	Audit procedures performed	Key observations
<p><b>Valuation of net pension liability</b></p> <p>The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£67.5m at 31/03/25) and the sensitivity of estimates to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>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;</li> <li>evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>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;</li> <li>undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report;</li> <li>agreed the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures; and</li> <li>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.</li> </ul>	<p>Our testing identified the following:</p> <ul style="list-style-type: none"> <li>We rely on assurance provided by the pension fund auditor over asset and liability balances included in the actuarial report. This identified that both level 2 and level 3 investments have been overstated by £16.3m and £21.04m respectively in the pension fund accounts. The Council's share of these assets is 16.28% and therefore the impact on the Council's accounts is a £6.1m overstatement which is not material and is considered to be an unadjusted misstatement.</li> <li>We identified a disclosure error as the proportion of assets did not agree to the IAS19 report provided by the actuary. Management have updated the disclosure and there is no impact on the primary statements</li> </ul> <p>No further issues have been identified</p>

# Other risks

Risk identified	Audit procedures performed	Key observations
<p><b>Remeasurement of leases and right of use assets including the PFI liability as at 1 April 2024 following the implementation of IFRS16</b></p> <p>IFRS16 requires all leases to be accounted for 'on balance sheet' by the lessee. A further amendment has changed the way in which PFI liabilities are measured and reported within the financial statements. Where there is a change in index rate the liability needs to be remeasured to include the change in index, or rate, up to the measurement date. Further, the lessee is required to assess the impact of all changes in index from the start of the PFI scheme which is likely to have a material impact on the financial statements and will require an adjustment to opening balances</p> <p>The introduction of IFRS16 has resulted in significant changes to the financial statements that are likely to be material.</p> <p>The Council's PFI liability is a significant balance within the financial statements (£196m as at 31 March 2025) and the change in accounting standard could require a material adjustment to the disclosure.</p> <p>We therefore identified the remeasurement of the Council's right of use assets and PFI liability as a risk of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Reviewed and confirmed the work undertaken by management to identify all relevant transactions and ensure the completeness of disclosures within the financial statements</li> <li>Reviewed the steps taken by management to identify the impact on the PFI liability and ensure that updated values have been calculated accurately and in line with the requirements of IFRS16</li> </ul> <p>We have yet to conclude our:</p> <ul style="list-style-type: none"> <li>Testing of the calculation for the PFI liability change to ensure accuracy.</li> </ul>	<p>Our work in this area is ongoing and we will report any findings to management and those charged with governance.</p>

# Other findings

# Other areas impacting the audit

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

## Issue

### Revenue Expenditure Funded by Capital Under Statute (REFCUS)

As in previous years the Council make manual adjustments to REFCUS and additions to account for prior year expenditure. Management had capitalised the expenditure as asset under construction in 2023-24 and then reclassified as REFCUS in 2024-25. As in prior years we deem that this is the incorrect treatment of the expenditure and the impact is that the additions are understated and REFCUS is overstated. The impact is £500k, which is trivial, but the figure could be material under this treatment

## Commentary

Whilst the current year impact is trivial there is scope for a material misstatement to be incurred if expenditure is classified in the same manner in future years

## Auditor view

Whilst there is no material misstatement in the financial statements management should ensure that annual reviews continue to be undertaken in order to ensure that capital expenditure is classified appropriately in line with the required accounting standards

## Management response

We will review our working practices to ensure that REFCUS spend is identified earlier in the process when asset classifying.

## Prior year impairment

Testing of journals identified an impairment of £1.43m to a community asset - Open Space Devonport Park in the prior year which was reversed in the current year. Management stated that this was previously spent on renovating a large flower bed(s). At that time the Capital Accountant assessed that this spend did not reflect the true value of the asset and impaired it. Similar expenditure was incurred in 2024-25 for another asset and was capitalised.

As a result of this management revisited the impairment for Devonport Park and assessed that this was incorrect. As a result the impairment has been reversed in current year to restore the historic cost of this community asset.

It is noted that this is an assessment undertaken by management and therefore is subjective. The value is not material and has been subsequently corrected using a comparable transaction.

We have reviewed management's process for assessing impairments and have not identified any issues but note that a correction has been necessary

## Auditor view

The correction is not material but management should fully consider all assessments in relation to the financial statement to ensure that these are appropriately recorded.

## Management response

We will review our processes to build in a review process for impairments.

# Other areas impacting the audit

## Issue

### Useful Economic Lives

Our review of nil NBV and nil UEL assets identified the following:

1. We identified assets with nil value from the start of the year through to year-end, including 15 community assets with a gross book value (GBV) of £1 and 476 VPFE assets with a GBV and accumulated depreciation of £21.8m. These assets have no net impact to the PPE balance, so no adjustment is required. The Council confirmed that the FAR was reviewed in the prior year and will be reviewed again this year. This will be included in our report.
2. There were 195 assets in the FAR with no useful economic life (UEL) reported. We confirmed that these assets are either fully depreciated but still in use, or not subject to depreciation. Therefore, it is not unusual for them to have no UEL recorded in the FAR.

Based on the above, no adjustments are required for the identified assets with nil value or missing useful economic life (UEL). The nil value assets have no net impact on the accounts, and the absence of UEL is consistent with assets that are either fully depreciated but still in use or not subject to depreciation. The Council has confirmed prior review of the FAR and plans to conduct another review this year.

## Commentary

The impact of nil value assets is through disclosures within the financial statements. Whilst there is no impact on the primary statements this is a material disclosure within the financial statements.

We have undertaken a review and consider that the majority of these assets are still operational, as confirmed by management or not subject to depreciation and are satisfied that there is not a material misstatement in the statements.

## Auditor view

Whilst there is no material misstatement in the financial statements management should ensure that annual reviews continue to be undertaken in order to ensure that any assets that are no longer operational are removed from the FAR

## Management response

We will continue to undertake an annual review of nil NBV and nil UEL assets.

# Other areas impacting the audit

## Issue

## Commentary

### Capital Grants Received in Advance (CGRIA)

CGRIA are those grants that require conditions to be met before the revenue can be recognised. The conditions are contained within the grant offer letter and adherence to these can mean a time difference between recognition of the expenditure and recognition of the revenue and can span a number of years depending on the size of the project.

Accounting standards require that when conditions have been met that the revenue is moved from CGRIA in advance and is recognised in the Comprehensive Income and Expenditure Statement (CIES). Where this is not complied with it can lead to material misstatements within the CIES.

### Debtor accruals testing:

As part of the audit we are required to confirm that debtor accruals are accurately stated and are recorded in the appropriate period. Part of this testing is ensuring that debtors have been correctly classified, including between short and long terms, and that there is no risk of misstatements

We have reviewed the treatment of CGRIA and have confirmed the accuracy of the amounts recognised within the financial statements. We have tested a sample back to grant confirmation documentation agreed that these are capital grants.

When reviewing grant conditions we have considered that these have been met and that the revenue should be recognised. Management consider that the conditions have not been met but have not provided sufficient evidence to demonstrate that this is a reasonable assumption. We continue to discuss the issue with management and as at the date of the report have yet to reach a resolution. We have not yet identified the total value of the revenue impacted but it is likely to be material and potentially require a prior period adjustment

We have reviewed the debtor accruals and have noted that for one transaction the evidence provided showed that a short term loan had been transferred to long term debtors incorrectly. The loan maturity date is March 2026 and therefore should be classed as short term. The total error is £1.298m

## Auditor view

If management cannot provide sufficient evidence to demonstrate that conditions have not been met the Auditor will consider that the accounts are materially misstated and will issue a qualified opinion outlining the reasons for this decision

Management should review the process for recognising revenue from CGRIA and ensure that this is appropriate

## Management response

We will review the grant conditions of the grant transactions that are being queried by the auditors. Where there is insufficient evidence currently provided, we will either provide further evidence to back up the accounting treatment or will amend the accounts as required.

## Auditor View

The adjustment has a net nil impact on the balance sheet but management should ensure that all transactions are appropriately classified.

## Management response

We will look at the review process for future years to ensure that these are more robust.

# Other findings – key judgements and estimates

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

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £685.6m at 31 March 2025	<p>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.</p> <p>The Council values its assets on a five-year rolling programme and £429m of assets were revalued in 2024/5.</p> <p>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 2024/25 valuation of these investment properties.</p> <p>The total year end valuation of land and buildings was £685.6m, a net increase of £62.3m from the prior year (£623.3m)</p>	<p>We have assessed:</p> <ul style="list-style-type: none"> <li>the competence and experience of the Council's in-house valuers;</li> <li>the completeness and accuracy of the underlying information used to determine the estimate;</li> <li>the adequacy of the disclosure of the estimate in the financial statements; and</li> <li>the consistency of the estimate against market data.</li> </ul> <p>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.</p> <p>We have identified a number of issues from our testing of Land and Buildings including:</p> <ul style="list-style-type: none"> <li>variances between the valuer's report and the Council's records;</li> <li>variances between areas used for valuations and area per floor plans;</li> <li>limited or no support for assumptions used to provide valuations; and</li> <li>errors in calculations.</li> </ul> <p>Our misstatements are split between those that are factual and need adjusting which are approximately £2.3m and those that are estimation variances. 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 £2.7m.</p> <p>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 regard 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.</p>	We are unable to assess the adequacy of management's assumptions as we intend to issue a disclaimed opinion in relation to closing balances

# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<b>Valuation of investment property</b> £219.5m at 31 March 2025	<p>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</p> <p>The Council's commercial investment portfolio consists of a mixture of assets comprising both industrial and commercial usage.</p> <p>The Council engages an internal valuer to undertake the annual valuation.</p> <p>The total year end valuation of investment properties was £219.5m, a net decrease of £4.2m from 2023/24 (£223.7m).</p>	<p>We have reviewed the detail of your assessment of the estimate considering:</p> <ul style="list-style-type: none"> <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> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>errors within the valuers calculation sheet; and</li> <li>inconsistent application of additional asset costs, including stamp duty.</li> </ul> <p>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.</p>	We are unable to assess the adequacy of management's assumptions as we intend to issue a disclaimed opinion in relation to closing balances

# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability	The Council's net pension liability as 31 March 2025 is £67.5m (PY £64.4m) comprising the Local Government and unfunded defined benefit pension scheme obligations.	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 are unable to assess the adequacy of management's assumptions as we intend to issue a disclaimed opinion in relation to closing balances
£67.5m at 31 March 2025	The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes.	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	5.8%	5.6% - 5.95%	Reasonable
Pension increase rate	3.2%	3.05% - 3.35%	Reasonable
Salary growth	3.9%	CPI (2.9%) +1	Reasonable
Life expectancy – Males currently aged 45 / 65	21.4 / 22.7	19.2 – 21.8 / 20.6 – 23.1	Reasonable
Life expectancy – Females currently aged 45 / 65	22.7 / 24.1	22.7 – 24.3 / 24.1 – 25.7	Reasonable

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 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 25.

# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Minimum Revenue Provision £21.8m at 31 March 2025	<p>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 statutory guidance</p> <p>The year end MRP charge was £21,840k, a net increase of £2,658k from 2023/24.</p>	<p>We have undertaken the following work:</p> <ul style="list-style-type: none"> <li>assessed whether the MRP has been calculated in line with the statutory guidance;</li> <li>considered whether the Authority's policy on MRP complies with statutory guidance;</li> <li>assessed whether any changes to the Authority's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full Council; and</li> <li>considered the reasonableness of the increase/decrease in MRP charge.</li> </ul>	<p>We are unable to assess the adequacy of management's assumptions as we intend to issue a disclaimed opinion in relation to closing balances</p>

# Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application 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 application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Civica Financials	ITGC assessment (design effectiveness only)	● Amber	● Amber	● Amber	● Amber	Management override of controls
Capita One (Academy)	ITGC assessment (design effectiveness only)	● Amber	● Amber	● Amber	● Amber	N/A
Core HR	ITGC assessment (design effectiveness only)	● Amber	● Amber	● Amber	● Amber	N/A
Activity Directory	ITGC assessment (design effectiveness only)	● Green	● Green	● Black	● Black	Management override of controls

## Assessment:

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

# IT general controls assessment findings

Assessment	Issue and risk	Recommendations
1.	<p>● Inappropriate segregation of duties over privilege accounts within in Civica Financials</p> <p>During our review, we noted that administrative access to Civica Financials has been granted to two (2) users who have financial responsibilities. The combination of financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict.</p> <p><b>Risks</b></p> <p>A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to</p> <ul style="list-style-type: none"> <li>- unauthorised changes being made to system parameters</li> <li>- creation of unauthorised accounts,</li> <li>- unauthorised updates to their own account privileges</li> <li>- deletion of audit logs or disabling logging mechanisms.</li> </ul>	<p>Access should be based on the principle of least privilege and commensurate with job responsibilities. Management should define segregation of duty policies and processes and ensure that there is an understanding of roles, privileges assigned to those roles and where incompatible duties exist. It may be helpful to create matrices to provide an overview of the privileges assigned to roles.</p> <p>Management should adopt a risk-based approach to reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business.</p> <p><b>Management response</b></p> <p>We will review the access requirements of users and adopt a risk-based approach to reassess the segregation of duties.</p> <p>Sheona Bailey has no financial responsibilities.</p>

## Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach.
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach.

# IT general controls assessment findings

Assessment	Issue and risk	Recommendations
2.	<p>● <b>Lack of Third-Party Assurance (SOC Reports ) for IT Controls</b></p> <p>Capita One, and Core HR applications were owned and managed by their respective vendors only who host and controls database management, and application change management process on application source code level. It was noted that these application vendors did not provide SOC reports covering the above-mentioned areas as they did not undergo the third-party audits hence, assurance on below service organisation controls could not be provided for the audit period:</p> <ol style="list-style-type: none"> <li>1. Change management – whether appropriate business/ IT approvals and testing approvals are provided before deploying/ releasing the changes</li> <li>2. Developer access to Production: whether developer and implementor access is segregated in the system.</li> <li>3. Database management: whether admin access on database is restricted to appropriate personnel only.</li> </ol> <p><b>Risks</b></p> <p>Necessary controls over IT environment supporting the relevant systems operated by the service providers might not be designed, implemented and operating effectively.</p> <p>Without adequate oversight over the third-parties system administrative access, database access there is an increased risk of unauthorised or inappropriate changes to the underlying data.</p>	<p>Management should undertake a review of all IT service providers to confirm how they obtain assurance over the appropriateness and sufficiency of IT controls operated by these third-party service organisations. This should, as a minimum, include controls over the application, database and operating system.</p> <p>Where independent service organisation assurance reports are available, management should review the reports and assess impact of any findings reported. Management should also evaluate whether complementary user entity controls are sufficient and effective.</p> <p><b>Management response</b></p> <p>Civica Financials is hosted by our IT service provider Delt, not by Civica. As such Delt controls database management and application change management (version upgrades, operating system upgrades etc.), with user acceptance testing provided by PCC's financial systems team. Civica owns the application source code and is responsible for developing the database and application, but Delt &amp; PCC do supplement this occasionally with ancillary features that don't interfere with core functionality, like new SSIS packages, additional database tables etc.</p> <p>We should also note that the Council moved from the Core HR application to Midland iTrent in June 2025.</p>

# IT general controls assessment findings

Assessment	Issue and risk	Recommendations
3.	<p><b>Lack of Third-Party Assurance (SOC Reports ) for IT Controls</b></p> <p>Civica Financials applications is hosted and supported by IT service provider Delt and application development / version upgrade by the vendor, Civica. Plymouth City Council and Delt were responsible for the change management process for the application.</p> <p>It was noted that these service provider and application vendors did not provide SOC reports covering the above-mentioned areas as they did not undergo the third-party audits hence, assurance on below service organisation controls could not be provided for the audit period:</p> <ol style="list-style-type: none"> <li>1. Developer access to Production: whether developer and implementor access is segregated in the system.</li> </ol> <p><b>Risks</b></p> <p>Necessary controls over IT environment supporting the relevant systems operated by the service providers might not be designed, implemented and operating effectively.</p> <p>Without adequate oversight over the third-parties system administrative access, database access there is an increased risk of unauthorised or inappropriate changes to the underlying data.</p>	<p>Management should undertake a review of all IT service providers to confirm how they obtain assurance over the appropriateness and sufficiency of IT controls operated by these third-party service organisations. This should, as a minimum, include controls over the application, database and operating system.</p> <p>Where independent service organisation assurance reports are available, management should review the reports and assess impact of any findings reported. Management should also evaluate whether complementary user entity controls are sufficient and effective.</p> <p><b>Management response</b></p> <p>Civica Financials is hosted by our IT service provider Delt, not by Civica. As such Delt controls database management and application change management (version upgrades, operating system upgrades etc.), with user acceptance testing provided by PCC's financial systems team. Civica owns the application source code and is responsible for developing the database and application, but Delt &amp; PCC do supplement this occasionally with ancillary features that don't interfere with core functionality, like new SSIS packages, additional database tables etc.</p> <p>We should also note that the Council moved from the Core HR application to Midland iTrent in June 2025.</p>

# IT general controls assessment findings

Assessment	Issue and risk	Recommendations
4.	<p><b>Lack of review of audit logs for Capita One</b></p> <p>During our review, we noted that audit logs have been enabled for user activity logging for Capita One. However no proactive monitoring is performed for activities performed for privileged users</p> <p><b>Risks</b></p> <p>Inappropriate and anomalous activity may not be detected and resolved in a timely manner.</p> <p>Additionally, unauthorised system configuration and data changes made using privileged accounts may not be detected by management.</p>	<p>Management should ensure that security event logs are reviewed on a regular basis for example weekly or monthly, ideally by an IT security personnel / team who are independent of those administrating Capita One and its underlying database.</p> <p>Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence.</p> <p><b>Management response</b></p> <p>The number of team members has reduced to two members of staff without the level of responsibility to manage this. A new team structure is imminent and will increase the size of the team. Further to this a new management role will be filled and this risk will be actioned.</p>
5.	<p><b>Audit logs are not enabled and lack of review of audit logs for Civica Financials</b></p> <p>During our review, we noted that audit logs which capture the monitoring of activities such as failed logins and use of privileged user accounts within Civica Financials, have not been enabled in the system. Furthermore, no proactive monitoring is performed for activities performed for privileged users.</p> <p><b>Risks</b></p> <p>Without appropriate audit logging, inappropriate and anomalous activity may not be detected and resolved in a timely manner.</p> <p>Additionally, unauthorised system configuration and data changes made using privileged accounts will not be detected by management.</p>	<p>Management should ensure that security event logs are enabled and reviewed on a regular basis for example weekly or monthly, ideally by an IT security personnel / team who are independent of those administrating Capita One and its underlying database.</p> <p>Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence.</p> <p><b>Management response</b></p> <p>We will ask our IT provider Delt if it is possible to enable these logs before taking further action.</p>

# Communication requirements and other responsibilities

# Other communication requirements

Issue	Commentary
Matters in relation to fraud	<p>We have previously discussed the risk of fraud with the Audit &amp; Governance Committee and we have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</p>
Matters in relation to related parties	<p>We are not aware of any related parties or related party transactions which have not been disclosed with the exception of the following:</p> <ul style="list-style-type: none"> <li>ARCA is a subsidiary of the Council and incurred transactions of £2,364k. Management had included the incorrect value of transactions with the related party due to timing differences between closing the accounts and receiving the relevant information. Management has updated the note to include this related party.</li> <li>Plymouth Science park is a subsidiary of the Council and incurred transactions of £1,956k. Management had incorrectly excluded the related party from the relevant note.</li> </ul> <p>Management has updated the related party note to include the above parties.</p>
Matters in relation to laws and regulations	<p>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</p>
Written representations	<p>A letter of representation has been requested from the Council, which is included in the Committee papers. Note that this Letter is draft as at the date of the report and is subject to change on completion of the work outlined on slide 6 and the issue outlined on page 27.</p>

# Other communication requirements

Issue	Commentary
Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent although it should be noted that the information was provided in late October. We have not received all the responses and have therefore undertaken further audit procedures to gain assurance over balances. No issues have been identified. We did not receive confirmation from the following organisations:</p> <ul style="list-style-type: none"> <li>• Fidelity</li> <li>• Santander</li> <li>• CCLA</li> <li>• Barclays</li> <li>• WECA</li> <li>• Isle of Wight Council</li> <li>• Danske Bank</li> </ul>
Disclosures	<p>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.</p>
Audit evidence and explanations/significant difficulties	<p>Our review found no material omissions in the financial statements</p>
	<p>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.</p>

# Other responsibilities

Issue	Commentary
Going concern	<p>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 2024). 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.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>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 Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>• the nature of the Authority and the environment in which it operates</li> <li>• the Authority's financial reporting framework</li> <li>• the Authority's system of internal control for identifying events or conditions relevant to going concern</li> <li>• management's going concern assessment.</li> </ul> <p>However, as this year's audit will be disclaimed, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

# Other responsibilities

Issue	Commentary
Other information	Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>if we have applied any of our statutory powers or duties.</li> <li>where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters</p>
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>Work is not required as the Authority does not exceed the threshold.</p>
Certification of the closure of the audit	We cannot formally conclude the audit and issue an audit certificate until we have received confirmation from the NAO that the group audit has been certified.

# **Audit adjustments**

# 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

No adjusted misstatements have been identified at the date of issuing our report. We will provide an update to management and the Audit Committee should any issues be identified from the remaining testing.

## 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	Misclassification or change identified	Adjusted?
Related parties – Note 30	In our group assessment work, we have ensured that balances with Plymouth CC considered in client's assessment agrees to Related party disclosure as per note 30. We noted that client has considered loan of £1.956m given to Plymouth Science Park in their group assessment but the same is not disclosed in related party disclosure note 30. We have agreed that amount to Plymouth Science Park's statement of accounts as well and also to the long term debtors listing.	✓
Pensions – Note 34.6	Pensions - Note 34.6 - Proportion of assets has been updated to agree with IAS 19 report. Equities increased to 55%, Property increased to 19% and 'Other investments' reduced to 24%.	✓
Relates parties – Note 30	While performing debtor accruals testing, we have identified that there is a receivable balance of £2.364m from ARCA Limited which is subsidiary of the Council and that balance is not disclosed in related party disclosure note 30. We raised it with the client and they have agreed to update note 30.	✓
Throughout	A limited number of typographical errors have been identified throughout the financial statements.	✓
Throughout	One immaterial accounting policy and disclosure in relation to exceptional items has been included in the financial statements. This should be removed to avoid obscuring material information within the financial statements.	✓

# Audit adjustments

## Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund
	£'000	£'000	£'000	£'000
Errors identified from testing of individual Investment Property assets (see pg 21)	(1,462)	1,462	(1,462)	1,462
Cash flows in relation to short term loan wrongly transferred from short term debtors to long term debtors (see pg 27)		Short term loan 1,298 Long term debtors (1,298)		1,298 (1,298)
Overstatement of depreciation expense (see pg 19)	1,965	(1,965)	1,965	(1,965)
Errors identified between the fixed asset register and the valuers report. (see pg 19)	SDPS (388) Revaluation reserve (1,945)	2,333	(388) (1,945)	2,333
We rely on the pension fund auditor to verify valuations at the pension fund. This work identified overstatements in level 2 and 3 investments and the adjustment represents the Authority's share (see pg 22)	6,077	(6,077)	6,077	(6,077)
Factual errors identified in testing of individual PPE assets (see pg 19)	(2,336)	2,336	(2,336)	2,336
Estimated extrapolated errors identified in testing of individual PPE assets (see pg 19)	(2,661)	2,661	(2,661)	2,661
<b>Overall impact of current year unadjusted misstatements</b>	<b>(750)</b>	<b>750</b>	<b>(750)</b>	<b>750</b>

# Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our 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
<span style="color: yellow;">●</span> <b>Medium</b>	<p>Journals testing has identified a number of segregation issues including:</p> <ul style="list-style-type: none"> <li>There is in-built system deficiency that is not able to segregate the posting and authorising function for journals over the council's authorisation limit of £500k. Specific testing in relation to this has been undertaken and no issues identified, and the Council use a manual detective control. However, this can lead to error; and</li> <li>the ability for posters to authorise their own journals.</li> </ul> <p>There is a risk that inappropriate journals will be posted leading to fraudulent transactions or misreporting within the financial statements</p>	<p>Management should review the journal process to ensure that sufficient segregation of duty controls are in place and that monitoring processes are sufficiently robust to identify and address any issues identified.</p> <p><b>Management response</b></p> <p>The Council has a robust set of reconciliations and monitoring processes in year to support the posting of journals. All journals above £500k are required to be authorised and to have attachments of associated working papers. If they are self approved, there is a system automated alerter process which operates daily to notify staff when they have self approved the journal or failed to attach sufficient notes and documents to the journal.</p>
<span style="color: yellow;">●</span> <b>Medium</b>	<p>For a number of land and building and investment property assets management were unable to provide floor plans to support the measurements used within the calculations. There is a risk that management and valuers will use inaccurate information which could result in a material misstatement within the statement of accounts</p>	<p>Management should ensure that all supporting information is maintained and is consistent with disclosures made in the statement of accounts</p> <p><b>Management response</b></p> <p>Work is underway to obtain and collate floor plan information in a manner consistent with the resources available to do so.</p>

## Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

# Action plan

## Assessment Issue and risk

### Medium

Testing of assumptions used for land and building valuations identified the following:

- incorrect BCIS rates applied;
- inconsistent application of external build costs;
- incorrect application of professional fees;
- use of school pupil number data from Q1 2024 instead of Q1 2025; and

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.

### 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 unadjusted misstatement reported on the 'Misstatements' tab. This issue was also raised in prior year audits.

## Recommendations

Management should ensure that all depreciation calculations and processes are accurate and that all treatment and disclosures are in line with the requirements of the Code and the accounting standards.

### Management response

We do not agree that there is an inconsistency across the use of External Build Costs. We have not received an explanation of this point from the Auditor but believe it to be referencing the fact that BCIS rates are rebased to the most relevant Quarter in which the valuation is undertaken. We understand that this is the industry standard and will seek to peer review this.

We do not agree that there is an inconsistent application of buyers costs, although we haven't received an explanation of this point from the Auditor. Our position on accounting for transaction fees has been disclosed and discussed at prior audit.

We are satisfied that the two other errors referred to are isolated calculation errors, that while regrettable, do not warrant further action.

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.

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 Project Officers at year end.

# Action plan

Assessment	Issue and risk	Recommendations
Medium	<p>The reconciliation between the fixed asset register (FAR) and the valuer's report (VR) identified discrepancies on nine assets, resulting in a net impact of £172,326 comprising an overstatement of £573,250 on three assets and a £745,576 understatement on six assets. These variances have arisen due to timing differences and a subsequent delay in updating the FAR.</p>	<p>Management should ensure that the FAR and Valuer's report are consistent. Management should ensure that all valuation information is available before closing the accounts in order to ensure accuracy.</p> <p><b>Management response</b></p> <p>We have had the added complication of the introduction of IFRS16 this year. However, we will introduce more control checks prior to posting year end journals. We will also have to consider how to implement the changes for indexation so will review our working practices for the FAR to ensure more overall control.</p>
Medium	<p>Techforge (the Council's asset management system) calculates depreciation by dividing the brought-forward NBV by the remaining UEL. Our testing compares this to an alternative calculation based on brought-forward GBV divided by the total UEL. This identified a variance in one of the samples which management stated arises because Techforge uses NBV as the starting point, which incorporates prior-year issues and adjustments (such as disclaimers, impairments, or revaluations). We recalculated the potential impact of these differences, and concluded that if the discrepancies were caused by prior-year issues, the impact would not be material (estimated at approximately £1.96m overstatement).</p>	<p>Management should review the depreciation policy to ensure that is appropriate and that it is in line with the requirements of the Code and the standards</p> <p><b>Management response</b></p> <p>We will have to review our depreciation policy next year to consider the introduction of indexation and will develop our policy further to ensure that our practices are compliant.</p>

# Action plan

Assessment	Issue and risk	Recommendations
● Low	<p>Related party disclosure - Note 30</p> <p>In our group assessment work, we have ensured that balances with Plymouth CC considered in client's assessment agrees to Related party disclosure as per note 30. We noted that client has considered loan of £1.956m being given to Plymouth Science Park which is not disclosed in related party disclosure note 30. Further transactions with ARCA to the value of £2.364m have not been included meaning the reader of the accounts will not have full clarity on the related parties for the Council</p>	<p>Management should ensure all related party disclosures are included within the financial statement disclosures.</p> <p><b>Management response</b></p> <p>We will review our procedures for agreeing company balances in relation to the related party note. This can be difficult in terms of timing due to the tight deadline for the production of the accounts. However, we will work with our colleagues in the Commercial Finance team to improve the reporting.</p>

# Follow up of prior year recommendations

We identified the following issues in the audit of the Authority's 2023/24 financial statements, which resulted in 15 recommendations being reported in our 2023/24 Audit Findings Report. Management have addressed 10 of the recommendations and testing in 2024-25 has identified that 5 recommendations remain and have been raised once more in 2024-25.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Journals testing has identified a number of segregation issues including:</p> <ul style="list-style-type: none"> <li>• There is in-built system deficiency that is not able to segregate the posting and authorising function for journals over the council's authorisation limit of £500k. Specific testing in relation to this has been undertaken and no issues identified, and the Council use a manual detective control. However, this can lead to error; and</li> <li>• the ability for posters to authorise their own journals.</li> </ul> <p>There is a risk that inappropriate journals will be posted leading to fraudulent transactions or misreporting within the financial statements</p>	<p>Testing of journals in 2024-25 has again identified that this issue still exists. We have discussed this with management and compensatory controls are in place to mitigate risk. Whilst we accept that this is a system issue the risk still exists and, therefore, we have raised the recommendation in the action plan.</p>
X	<p>For a number of land and building and investment property assets management were unable to provide floor plans to support the measurements used within the calculations. There is a risk that management and valuers will use inaccurate information which could result in a material misstatement within the statement of accounts</p>	<p>We have again identified that floor plans are not available for certain assets and that in some cases the floor plan did not agree to the value used in the calculation. We have undertaken alternative audit procedures and have reported the variance.</p>
X	<p>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 unadjusted misstatement reported on the 'Misstatements' tab. This issue was also raised in prior year audits.</p>	<p>Management has undertaken similar transaction in 2024-25 and whilst these are not material they control issue still exist. We have again raised the issue in the action plan.</p>

## Assessment

- ✓ Action completed
- ✗ Not yet addressed

# Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>We have identified a number of issues with depreciation including:</p> <ul style="list-style-type: none"> <li>• brought forward accumulated depreciation on disposals for infrastructure assets incorrectly charged to depreciation and not disposal;</li> <li>• the fixed asset register calculating 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;</li> <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> <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>	<p>We have identified further issues within depreciation but the listed issues have not been noted in the 2024-25 testing. We are, therefore, satisfied that this recommendation has been addressed.</p>
✗	<p>Testing of assumptions used for land and building valuations identified the following:</p> <ul style="list-style-type: none"> <li>• incorrect BCIS rates applied;</li> <li>• inconsistent application of external build costs;</li> <li>• incorrect application of professional fees;</li> <li>• use of school pupil number data from Q1 2023 instead of Q1 2024; and</li> <li>• double counting of adjustments.</li> </ul> <p>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.</p>	<p>Testing of individual assets in 2024-25 has identified the same issues as highlighted in 2023-24. We have included this recommendation in the action plan</p>

# Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Testing of the valuation of assets also identified the following issues:</p> <ul style="list-style-type: none"> <li>the value of surplus asset disposals were incorrectly stated;</li> <li>management incorrectly classified land and buildings for one asset leading to incorrect treatment of valuation movements; and</li> <li>the disposal of an Academy school had been incorrectly classified within the CIES.</li> </ul> <p>None of these issues are individually material but there is a risk that cumulatively there could be a material misstatement in the financial statements</p>	<p>Testing of individual assets in 2024-25 has not identified similar issues and, therefore, we are satisfied that this recommendation has been appropriately addressed.</p>
✓	<p>The code and accounting standards requirement retirement obligations to be considered as part of the valuation process and reported, even where there is a nil impact. Management have not included this within their considerations</p>	<p>Review of management's processes has confirmed that retirement obligations have been considered as part of the year end process. Therefore, we are satisfied that this recommendation has been addressed</p>
✓	<p>Where assets are valued before 31 March, or in previous years, there is a risk that there will be a material variance between the carrying value and the current value at the Balance Sheet date. The valuer should undertake a documented exercise to provide assurance to management that no such risk exists at each Balance Sheet date</p>	<p>Testing has confirmed that management have undertaken an exercise to consider if there is a material variance between the valuation date and the balance sheet date. Therefore, we are satisfied that this recommendation has been addressed.</p>
✓	<p>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 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 performance within the year.</p>	<p>These are considered to be issues that were specific to testing undertaken in 2023-24. Testing has not identified similar in 2024-25 and therefore, we are satisfied that this recommendation has been addressed</p>

# Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>The council have made the decision not to revalue 0.4% of their assets within 5 years. This is against the CIPFA Code (4.1.2.38) which specifies that assets 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</p>	<p>Work undertaken in 2024-25 has confirmed that all assets have been revalued within five years and, therefore, this recommendation has been addressed.</p>
✓	<p>We have engaged Auditor Experts to assess management's processes for valuations which has identified the following:</p> <ul style="list-style-type: none"> <li>• Valuer should tabulate and retain all comparable used</li> <li>• Instructions to the valuer should reference all relevant guidance</li> <li>• The Council should keep a clear record of their inspection programme</li> <li>• A table of all categorisation changes should be included within the report</li> <li>• Information should be sourced, where possible, from third parties and the market and not solely from the Estates and Asset managers</li> <li>• A market commentary should be included within the report</li> </ul>	<p>We have again employed an Auditor's expert to assess management's processes in 2024-25. This work has not identified any issues and therefore we are satisfied that this recommendation has been addressed.</p>
X	<p>Related party disclosure - Note 30</p> <p>In our group assessment work, we have ensured that balances with Plymouth CC considered in client's assessment agrees to Related party disclosure as per note 30. We noted that client has considered loan of £1.956m being given to Plymouth Science Park which is not disclosed in related party disclosure note 30.</p>	<p>Management have again not included Plymouth Science park within the related party disclosures. We have raised the review point again in the 2024-25 action plan</p>

# Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	The accumulated absences accrual uses data from 2009-2014 to estimate the average leave balances outstanding. This has not been updated as PCC determined it would not be materially different, however there is a risk that the data is out of date given changes to working habits as a result of the COVID pandemic.	We have tested the 2024-25 provision and are satisfied that the calculation is based on appropriate, relevant and timely information and therefore are satisfied that this recommendation has been addressed.
✓	For some of our payroll samples, management was not able to provide the employee's contract. We have performed additional procedures to gain assurance over these but recommend the Council hold contracts for all employees.	Payroll testing in 2024-25 has not identified any issues with provision of supporting evidence and we are satisfied that this recommendation has been addressed
✓	Where Senior Officer remuneration is for part-year or individuals work on a non full time basis, management should consider the annualised salary amount to consider where disclosure is required, including naming the individual. We have identified some individuals where the annualised amount would be greater than £150k and therefore would require naming within the accounts.	Testing has not identified any issues in terms of disclosures and senior officers have been appropriately disclosed. Therefore, we are satisfied that this recommendation has been addressed

# **Value for Money arrangements**

# Value for Money arrangements

## Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30<sup>th</sup> November each year from 2024-25. Our draft AAR was reported to you on 18 November 2025 audit & governance committee.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



### Improving economy, efficiency and effectiveness

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



### Financial sustainability

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



### Governance

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

In undertaking this work we have identified significant weaknesses in arrangements for financial sustainability and Improving economy, efficiency and effectiveness resulting in four key recommendations. We have also made seven improvement recommendations.

# Independence considerations

# 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, managers). In this context, there are no independence matters that we would like to report to you.:

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority 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 Authority or investments held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Authority 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 Authority.
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 Authority, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person 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.

# Fees and non-audit services

The following tables below sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to the date of this report, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Authority's policy on the allotment of non-audit work to your auditor.

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

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Plymouth City Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that we are satisfied that the level of fee is not significant in relation to the fee for the audit or to Grant Thornton UK LLP's turnover

<b>Audit fees</b>	<b>£</b>
Audit of Authority	409,064
Auditor's Expert (Estimate)	7,500
IFRS 16	TBC*
<b>Total</b>	<b>TBC*</b>

\* We have yet to complete our work in this area and will provide a full reconciliation of costs on the final version of the report

# Fees and non-audit services

## Audit-related non-audit services

Service	2023/24	2024/25	Threats	Safeguards applied
	£	£ Identified		
Certification of Housing Benefits Subsidy claim	34,253	35,058	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 £69,311 in comparison to the total fee for the audit of £416,564 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.
Certification of Teacher's Pension return	12,500	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £25,000 in comparison to the total fee for the audit of £416,564 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.
Total	46,753	47,558		

# Fees and non-audit services

## Total audit and non-audit fee

(Audit fee) 416,564

(Non-audit fee) 94,311

The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

• fees per financial statements	£474,122
Add	
• 2023-24 Housing Benefit	£34,253
• 2023-24 Teacher's Pension	£12,500
Less	
• IFRS 16 Estimate included in audit fee	(£10,000)
• total fees per above	£510,875

This covers all services provided by us and our network to the group/Authority, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

# Appendices

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

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
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 matters in relation to going concern	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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	●	

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

Our communication plan	Audit Plan	Audit Findings
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, as a minimum a requirement exists for our findings to be distributed to all the company directors and 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 those charged with governance.



# Audit and Governance Committee



Date of meeting: 20 January 2026

Title of Report: **Approval of Statement of Accounts 2024/25**

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

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

Author: Carolyn Haynes

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

Your Reference: SoA 24/25/Audit Jan 2026

Key Decision: No

Confidentiality: Part I - Official

## Purpose of Report

Audit and Governance Committee formally approved the draft Statement of Accounts for 2024/25 on the 22 July 2025.

The Statement of Accounts for 2024/25 are reaching the completion of their external audit and need to be published on or before the 27 February 2026 which is the statutory 'backstop' deadline.

The revised Statement of Accounts for 2024/25 is attached as Appendix A.

## Recommendations and Reasons

1. To approve the Statement of Accounts for 2024/25 attached as Appendix A.
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 2024/25 accounts which are anticipated to be finalised before 27 February 2026.
4. To approve the Letter of Representation attached as Appendix B prior to their submission to the Auditor.
5. To approve the 2024/25 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 2024/25 attached as Appendix D.

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.

**Alternative options considered and rejected**

- I. 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 2024/25 accounts will flow into the opening balance sheet position for the 2025/26 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 S151 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	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Statement of Accounts 2024/25							
B	Letter of Representation 2024/25							
C	Annual Governance Statement 2024/25							
D	Draft Audit Opinion Report 2024/25							

**Background papers:**

*\*Add rows as required to box below*

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

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
<p><i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i></p>							
1	2	3	4	5	6	7	
Auditor's Annual Report for the year ended 31 March 2025							

## Sign off:

**Final Statement of Accounts 2024/25****I. Introduction**

- 1.1 The Statement of Accounts for 2024/25 (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 2024/25 revenue and capital outturn position which was reported to Full Council on the 2 June 2025.
- 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 2023/24 were published by the backstop date of the 28 February 2025.
- 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 2024/25 financial year is 27 February 2026.
- 1.5 In the Grant Thornton audit report for the accounts for 2023/2024, a disclaimer of opinion was issued due to the backstop legislation. Grant Thornton had previously also issued a disclaimer of opinion for the 2021/22 and 2022/23 accounts as they had been unable to obtain sufficient evidence to satisfy themselves that there were no material risks of misstatement. This was also the case for the 2024/25 accounts as they have limited or no assurance over the opening balance position.
- 1.6 On 5 June 2025, the National Audit Office (NAO) published its 'Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06' for auditors which sets out special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions. Its purpose is to assist auditors in the process of rebuilding assurance for specific classes of transactions, account balances and disclosures which warrant special consideration. It provides principles as well as indicative procedures which, with the application of professional judgement, should enable the auditor to make a timely return to determine that the financial statements are free from material misstatement. Grant Thornton will continue to update the Audit and Governance Committee on their progress in regaining assurance on the financial statements.

**2. Final Publication of the 2024/25 Accounts**

- 2.1 The draft Statement of Accounts 2024/25 were approved by the Service Director for Finance and published by the statutory deadline of 30 June 2025. Following publication and in accordance with the regulations, the accounts and supporting documentation were made available for public inspection from 1 July to 18 September 2025 and the relevant statutory public notice was published on the Council's website. This period was extended due to the late addition of the Annual Governance Statement alongside the Statement of Accounts. There were no objections raised during the inspection period.

2.2 The accounts were presented to this committee on the 22 July 2025 and Grant Thornton commenced their audit in September 2025, in line with the audit plan presented to the committee on 16 September 2025.

2.3 The Statement of Accounts for 2024/25 are now in the final stage of being audited and amended and the Final Statement of Accounts for 2024/25 (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 20 January 2026 (if this is not resolved before the session itself). If the audit is complete by 20 January 2026, 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 2023/24 has had an impact on the audit opinion for 2024/25. This is because the auditor is not able to rely on audited opening balances in the accounts for 2024/25. The Council is expecting to receive a modified or disclaimed audit opinion for the 2024/25 accounts.

### **3. Audit Completion Reports**

3.1 The external auditor's value for money commentary for 2024/25 was presented to this committee on the 18 November 2025 through the Interim Auditor's Annual Report for the year ended 31 March 2025. Two significant weaknesses were identified:

- (i) Financial sustainability
- (ii) The need to improve economy, efficiency and effectiveness in the Joint Local Area SEND Inspection and Funding following an Ofsted improvement notice.

3.2 The Council has taken steps to address the weaknesses identified in 2024/25 through a range of management actions in the current financial year.

- (i) The Medium-Term Financial Strategy (MTFS) 2025/26 -2029/30 was approved by Full Council on the 24 November 2025 and the latest Medium Term Financial Plan (MTFP) will be going to Full Council on the 23 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 recognises the need to maintain the alignment and coherence between its transformation programme and the Medium Term Financial Strategy (MTFS) to ensure long-term financial sustainability. The updated and recently published MTFS sets out a clear strategic direction, underpinned by the 'Prevention First' approach and the City Help and Support Programme, which aim to reduce demand on high-cost services and embed early intervention across the organisation.
- (iii) The Council established a Children's Improvement Board, which is independently chaired, with membership across the partnership. The board oversees the delivery of the SEND Strategy and Delivery Plan. Workstreams are also led by leaders across the partnership and there is strong evidence of impact.

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 on pages 43 to 44 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 2024/25 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 2025. They have therefore issued a disclaimer of opinion on the financial statements for 2024/25. This enables the Council to comply with the requirement of the backstop regulations to publish the accounts by the 27 February 2026.

#### **4. Annual Governance Statement 2024/25**

4.1 The approved Annual Governance Statement (AGS) is required to be published alongside the Council's financial statements. The AGS for 2024/25 was submitted for review by this committee on the 22 July 2025 and is now included in the Statement of Accounts. A review of the AGS has determined that no further changes are required.

#### **5. Changes from draft publication of the 2024/25 draft Accounts**

5.1 The draft accounts for 2024/25 have been adjusted to reflect issues raised in the Grant Thornton Audit Findings Report of the accounts for 2024/25. The main changes are listed below:

- Note 30 Related Parties – amended disclosure to add £1.956m loan to 2024/25 entry.
- Note 30 Related Parties – Amended receipts for ARCA of £2.364m to match debtor accrual.
- Note 34.6 Pensions Total Assets (PCC) – amended percentages to match IAS19 report.
- A few typographical errors identified in the statements.

#### **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 2024/25 financial year.



# STATEMENT OF ACCOUNTS

## 2024/25

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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 2024/25.**

This document presents the statutory financial statements for Plymouth City Council covering the period 1 April 2024 to 31 March 2025. The statements can be technical and complex, but we have tried to present them as clearly as we can and have structured this narrative statement to help enable readers to understand the Council, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts.

The Narrative Statement provides an overview of the authority's financial position for the year and prospects for the following year. The 2024/25 financial year has again been financially challenging for the council, with many impacting factors beyond the Council's control; including inflationary pressures, the ongoing cost of living crisis and a significant rise in the National Living Wage. In spite of the budget pressures, it is worth noting that the outturn reflects a balanced position, without the need to draw down from the Working Balance held within Usable Reserves. There has been particular attention to all staff on the importance of managing our budget, and this closing position is possible by the release of available reserves whilst undertaking in year cost control and income maximisation measures.

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.

It is fair to say that the financial year 2024/25 has been unique. The Full Council Budget setting meeting was deferred from its usual last Monday in February to Friday 8 March 2024. This was to allow the receipt of a "minded to" letter from the Minister for Levelling Up, Housing and Communities (now renamed Ministry of Housing, Communities and Local Government – MHCLG) in respect of our request for a Capitalisation Direction.

The Council was working with the Minister and the external auditors Grant Thornton, to resolve an outstanding technical issue relating to the Statement of Accounts for 2019/20.

The Council received confirmation from MHCLG that its application for a Capitalisation Direction of £72m had been granted on the 10 October 2025. The Capitalisation Direction will impact on the accounts for 2025/26.

During the financial year the Council has had full sign off from the auditors and the Audit and Governance Committee and published an unprecedented five sets of accounts. The Statement of Accounts for 2021/22, 2022/23 and 2023/24 received a modified audit opinion due to issues with opening balances and sector-wide backlog challenges. The accounts were subject to the national backstop disclaimer, meaning auditors issued a disclaimer of opinion because of insufficient assurance over prior years.

In July 2024, commissioned by MHCLG as a requirement of the Capitalisation Direction request, The Chartered Institute of Public Finance and Accountancy (CIPFA) undertook an external assurance review of the financial position of the Council. In total seven key recommendations were made, all of which have been actioned and completed.

The Council has balanced its budget reporting a breakeven position. The overall net spend matches the net budget of £241.622m. However, this is after the release of £1.137m additional resource adjustments from prior year Council Tax collection plus a drawdown of £3.913m from reserves. In addition, the audit sign-off of the backlog of Statement of Accounts resulted in a reprofiling of the Minimum Revenue Provision charge which resulted in a release of £5.170m from the brought forward reserve. Within this overall balanced position, there are the following headline financial issues to consider:

- Drawdown from the Working Balance held within the Usable Reserves of £13.1m has not been required
- Additional savings targets built into Directorate budgets for the year were all met
- The use of corporate resourcing adjustments which include reduced borrowing costs, increased investment income and other revenue reserve movements.
- Reprofiling and release from the Minimum Revenue Provision (MRP) reserve.

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.

The most challenging area of concern and level of overspending in 2024/25 has again been the cost of externally purchased Children in Care placements. This has been a pressure faced by the Council for several years, but it has worsened in 2024/25 and it is anticipated to continue into 2025/26. 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. 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.

Facilities Management continues to present additional cost pressures, with increasing repairs and maintenance costs reflect the size, age and complexity of the corporate estate, which includes buildings and land such as the foreshore. We know that the financial challenges cannot be addressed by short term and tactical measures alone. The Council is therefore investing in a comprehensive Transformation Programme as part of its plans to address the on-going underlying structural budget deficit.

There have also been exceptional, one-off costs incurred within the year. We approved the transfer of more Private Finance Initiative (PFI) schools out of the maintained framework to become part of an academy. However, the overall PFI contracts for all schools covered by the scheme continue to be the responsibility of the Council. For this financial year we have needed to meet additional PFI costs by £0.239m. We have also needed to cover the settlement cost of the Independence at Home dispute, at a cost of £0.465m and the Independent Review of the Armada Way scheme has cost £0.099m. These exceptional costs have been met from the corporate contingency.

The Council, like all other authorities, also has uncertainty of future levels of Government funding. The Government launched a consultation in December 2024 on 'Local Authority Funding Reform: Objects and Principles' to seek views on their approach to determining new funding allocations for local authorities. This initial consultation was responded to at the same time as a second phase of consultation was launched on 20 June 2025, titled 'The Fair Funding Review 2.0'. The current funding model, with allocations that have remained unchanged since 2013/14, has led to disparities in service quality and financial strain, particularly in more deprived areas. The consultation proposes a series of reforms aimed at creating a more equitable, efficient and responsive funding system. The results of the consultation will inform the local government finance settlement from 2026/27. The funding settlement for 2026/27 is to be a multi-year funding settlement with various grant and funding streams consolidated. This should provide more certainty for the Council with regards to future financial planning.

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 2024/25 the Council invested £109.309m into capital schemes to continue to improve Plymouth as a place to live and a destination to visit.

This capital expenditure delivered a significant programme of investment in a wide range of schemes, including the Woolwell to the George major transport infrastructure project, and ongoing investment in City Centre public realm schemes. Investment in infrastructure to support the Plymouth Sound National Marine Park, together with improvements to the City's parks and open spaces and the new Foulston Park facilities on the former Brickfields site have improved sports and recreation opportunities for residents and visitors. Significant investments in the Derriford District Centre and the Plymouth and South Devon Freeport sites will generate both employment for the City and income for the Council for many years to come. Over £10m has been invested in improving the City's housing stock through schemes such as the Warm Homes programme and targeted investment in social housing and temporary accommodation to tackle homelessness.

Continued vigorous cost management and focused delivery of planned revenue savings will again be key in the new financial year 2025/26. 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.

These accounts demonstrate that the Council 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.

**Finally**, I would like to express my thanks for all staff in the Finance team during 2024/25 who have played their part in producing the Statement of Accounts and for their wider efforts in supporting the Council.

David Northey

Interim Service Director for Finance and Section 151 Officer

Dated:

# 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 CITY

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	The population has grown close to the city's ambition of 300,000	Plymouth continues to improve its diverse cultural and sporting experience	Plymouth recognised as a key regional economic driver
More people taking care of themselves	Plymouth continues to be recognised as a leading Green City	Plymouth is internationally renowned as a leading UK tourist destination	High quality strategic services and facilities that serve the people of Plymouth and the sub region
More residents are contributing to and being involved in their community	Plymouth has a vibrant, productive, inclusive and innovative business sector with a workforce that is paid a living wage	Plymouth is recognised internationally for expertise in marine science and hi-tech manufacturing	Plymouth's strategic defence role is protected and strengthened
People are well housed, live in good quality, well looked after neighbourhoods where they feel safe and happy	People have the skills to be school ready and work ready	Plymouth's reputation for world class universities and research institutions continues to grow	
Good quality, sustainable health and wellbeing services for people who need them, when they need them	Plymouth continues to strengthen conditions for increased growth, including ensuring effective infrastructure delivery	Plymouth's reputation is strengthened as a welcoming, multicultural city	

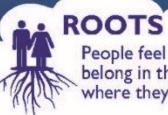
### WHAT PRINCIPLES WILL GUIDE US?



**POWER**  
People have confidence that they can influence decisions that affect them



**OPPORTUNITY**  
People have more equal opportunities and the ability to be part of the city's future



**ROOTS**  
People feel like they belong in the community where they live



**CONNECTIONS**  
People mix, interact, learn from each other and work together

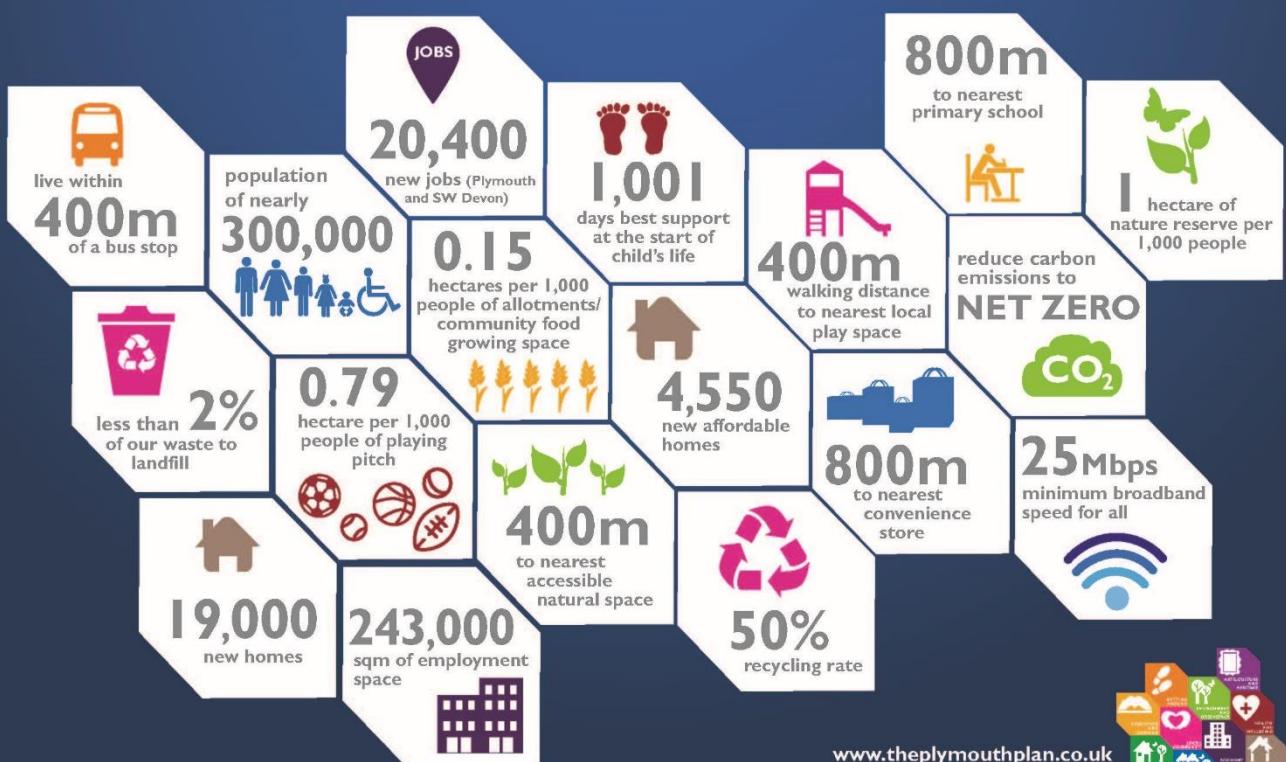
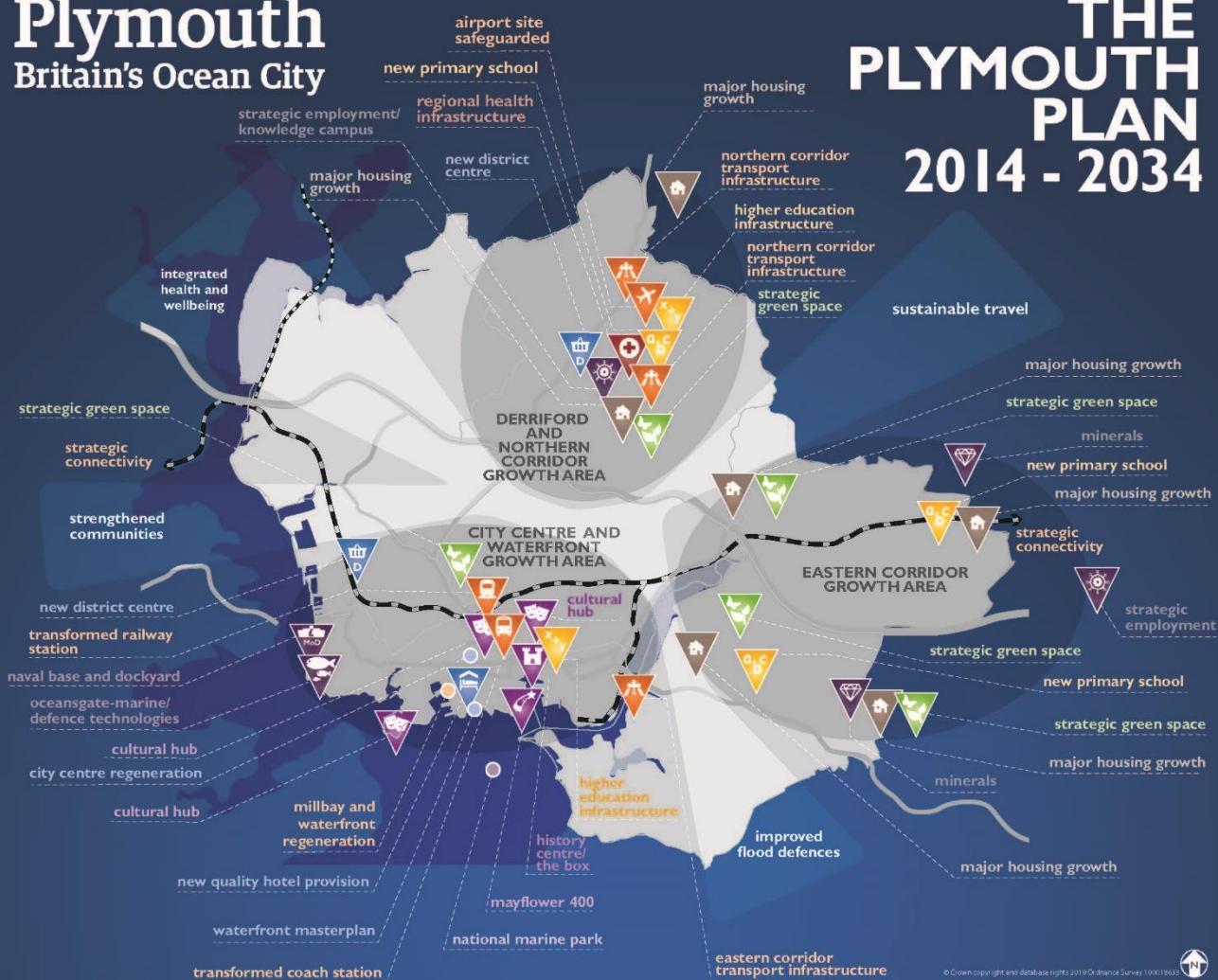


**FLOURISH**  
Individuals, communities and businesses thrive in an environment that is creative, enterprising, and diverse

# Plymouth

Britain's Ocean City

# THE PLYMOUTH PLAN 2014 - 2034



# OUR PLAN

## BUILD A BETTER PLYMOUTH



PLYMOUTH  
CITY COUNCIL

### CITY VISION: Britain's Ocean City

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

Plymouth  
Britain's Ocean City

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

### WE BELIEVE IN:

**DEMOCRACY**  
Because we listen and hear what people want

**RESPONSIBILITY**  
Because we care about the impact of our decisions and actions

**FAIRNESS**  
Because we want to address inequality and inequity in our city

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

### WE WILL:

Make Plymouth a great place to grow up and grow old

Minimise the impact of the cost of living crisis

#### OUR PRIORITIES:

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

#### DOING THIS BY:

- Providing quality public services
- Trusting and engaging our communities
- Focusing on prevention and early intervention
- Spending money wisely
- Empowering and engaging our staff
- Being a strong voice for Plymouth

[www.plymouth.gov.uk/ourplan](http://www.plymouth.gov.uk/ourplan)

## AIMS, OBJECTIVES AND ACHIEVEMENTS

The Statement of Accounts should be read in conjunction with the Council's Corporate Plan, which was last revised 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 addresses 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 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 play a huge role 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.

Following the election in May 2024, 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 (Councillor 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 nine 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's branding as 'Britain's Ocean City' reflects its historic and modern connections to the sea. It has been the departure point for many historic voyages, not least the Mayflower in 1620 and is now home to 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 Local Enterprise Partnership (HotSW LEP) transferred back to local authorities in Devon and Somerset as part of new Government policy on 1 April 2024. This means that Plymouth City Council, Devon County Council, Somerset Council and Torbay Council are now individually 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.

### **Devolution**

The government published the English Devolution White Paper in December 2024 which outlines how it intends to rebuild and reform local government as the foundation for devolution. The White Paper sets out the government's plans to widen and deepen devolution across England. Following on from the White Paper publication, at the Council meeting on the 9 January 2025, Plymouth City Council agreed to advocate for the establishment of a South West Peninsula Mayoral Strategic Authority. Subsequently, the leaders of Plymouth City Council, Devon County Council and Torbay Council agreed to work together to explore the creation of a Mayoral Strategic Authority. A future devolution deal offers a compelling opportunity to secure substantial additional investment for the benefit of local communities. The Council is now working on proposals to increase its boundary line to ensure that the authority is sufficient in scale to more efficiently deliver services, without losing its unique character. The initial proposals were submitted to Government on 5 February 2025. The preferred option is to extend the city's boundaries to include 13 neighbouring parishes, approximately 30,000 additional residents. This modest expansion would create a more cohesive and efficient local government structure for the city, better equipped to meet the needs of the growing population. Further work will take place during 2025/26 to develop and consult on these proposals.

## 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. The Plymouth Plan sets out far reaching growth plans to 2034 and promotes a shared direction of travel for the long-term future of the city. It brings 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 also sets out the Council's mission to 'Make Plymouth a fairer city, where everyone does their bit'.

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

## Plymouth Sound National Marine Park (NMP)

Partners across the city created the UK's first ever National Marine Park in 2019 and secured £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.

An £11.6m National Lottery Heritage Fund grant was awarded in February 2024 to help with the delivery of the marine park, which aims to:

- Engage and inspire
- Provide opportunities for learning and discovery
- Enable connection and positive action to support the long-term care of the Plymouth Sound National Marine Park.

A series of sensitive restoration projects across the citywide waterfront will enable greater accessibility to the 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 and skills providers 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.

During 2024/25 the Council was involved in the delivery of a £23m investment programme in partnership with Associated British Ports (ABP), Brittany Ferries and the Freeport to deliver the most significant infrastructure upgrade to the port in recent decades.

Work is also underway on the construction of four purpose built units which will form part of the Freeport's tax site.

### **Plymouth's New Crematorium – The Park**

Plymouth's new crematorium The Park opened in August 2024. The new facility is set in a 17-acre site, providing a tranquil setting for grieving families. This was a significant capital project and offers modern facilities set in a green site where nature can thrive. It has been designed to accommodate different needs and preferences, embracing all faiths and cultures.

The site also benefits from a new café facility separate to the crematorium which is open to serve refreshments for people attending funerals and for the general public.

### **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 2025. As can be seen from the table below, Plymouth has benefitted from an additional £17.780m and the Devon economy has benefitted overall by £84.577m both 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	2013-20	2020/21 50%	2021/22 50%	2022/23 50%	2023/24 50%	2024/25 50%	Total
	£	£	£	£	£	£	£
Devon	21,548,828	2,145,986	2,511,070	2,290,137	2,650,472	2,860,248	34,006,741
East Devon	2,565,360	303,873	355,874	324,563	390,976	419,804	4,360,450
Exeter	2,928,668	656,335	768,694	701,061	773,790	849,633	6,678,181
Mid Devon	667,719	160,490	187,934	171,399	207,161	225,965	1,620,668
North Devon	1,572,183	307,028	359,561	327,925	370,861	401,976	3,339,534
South Hams	920,537	297,284	348,174	317,541	368,516	394,937	2,646,989
Teignbridge	1,383,783	304,841	356,989	325,580	387,651	417,656	3,176,500
Torridge	770,735	134,669	157,684	143,811	175,409	186,011	1,568,319
West Devon	628,714	124,053	145,268	132,487	156,429	167,006	1,353,957
Plymouth	7,122,529	1,837,986	2,145,916	1,957,110	2,261,935	2,454,962	17,780,438
Torbay	2,898,906	888,429	1,039,828	948,340	1,096,376	1,173,389	8,045,268
<b>Total</b>	<b>43,007,962</b>	<b>7,160,974</b>	<b>8,376,992</b>	<b>7,639,954</b>	<b>8,839,576</b>	<b>9,551,587</b>	<b>84,577,045</b>

### 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 is a three-year delivery plan, setting out the Council's proposals to reduce its greenhouse gas emissions. It responds to the Net Zero Plymouth challenge set out in the Climate Connections Plymouth website and explains how the Council will aim to play its part in delivering the Plymouth Plan's policy aim.

The NZAP replaced the annual Climate Emergency Action Plans and Corporate Carbon Reduction Plans from 2023. It is reviewed each year to ensure it remains in step with new developments in the Council's activities.

The Net Zero Action Plan outlines a total of 118 actions and brings together 50 colleagues from all directorates of the Council. As of January 2025, 107 (91%) of the 118 actions in the Net Zero Action Plan have been delivered or are progressing on track. Budgetary constraints and the effects of high interest rates, have impacted the delivery of capital projects intended to reduce our energy consumption, increase renewable electricity generation or to transition our fleet of vehicles to EV.

### The Council's Performance

The Plymouth City Corporate Plan 2023-28 was approved by Full Council in June 2023 and its 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 2024/25 to 2028/29

The Council’s gross revenue budget for 2024/25 was £589.912m, which after adjusting for income equates to a net budget requirement of £241.622m. This was approved by Full Council on the 8 March 2024. 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 (2024/25 to 2028/29). 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	2024/25 Budget	2025/26 Budget	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast
	£m	£m	£m	£m	£m
<b>Core Resources</b>					
Revenue Service Grant	(12.328)	(12.662)	(13.290)	(13.821)	(14.375)
Council Tax	(139.479)	(149.450)	(156.580)	(163.440)	(171.020)
Business Rates	(84.815)	(86.584)	(85.274)	(85.352)	(86.045)
Reserves	(5.000)	(4.722)	0.000	0.000	0.000
<b>Core Resources Total</b>	<b>(241.622)</b>	<b>(253.418)</b>	<b>(255.144)</b>	<b>(262.613)</b>	<b>(271.440)</b>
<b>Net Expenditure</b>					
Expenditure Brought Forward	0.000	236.622	253.418	266.061	279.240
Add Right-Sizing Costs / Adjustments	0.000	6.566	8.630	8.144	4.371
Add Demand-Led Pressures	0.000	12.392	5.841	7.035	6.000
Other pressures	0.000	13.602	3.860	0.000	0.000
Savings/Income identified	0.000	(15.764)	(5.688)	(2.000)	0.000
<b>Net Expenditure Total</b>	<b>241.622</b>	<b>253.418</b>	<b>266.061</b>	<b>279.240</b>	<b>289.611</b>
<b>Forecast Shortfall</b>	<b>0.000</b>	<b>0.000</b>	<b>10.917</b>	<b>16.627</b>	<b>18.171</b>

The key financial planning considerations used to develop the above forecast included:

- 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 2025/26, will continue for the five years
- The forecast, reflecting central Government’s direction, assumes there will be a further 2% Adult Social Care precept in 2025/26 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

## 2024/25 Revenue Outturn

The Council has balanced its budget, reporting a breakeven position for 2024/25. The overall net spend matches the net budget of £241.622m. The year was again affected by significant challenges outside the Council's control including inflationary increases, the continuing cost of living crisis and an above inflationary increase to the National Living Wage. The Council also needed to respond to growing cost and demand pressures within services, particularly within Children's Social Care. Whilst these challenges are faced by local authorities across the country, Plymouth has been able to achieve a balanced position in this financial year whilst protecting key services.

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. This year has seen higher engagement with all staff across the Council on the importance of spending their budgets wisely, deferring expenditure wherever possible and ensuring we achieve the maximum value for money.

Directorates, with the exception of Customer and Corporate Services, Children's Services and Adults, came in on or under budget for their business-as-usual activity.

The net revenue budget of £241.622m was allocated to council services as follows:

Directorate	2024/25 Net Budget Expenditure	Provisional Outturn	Year-End Over/ (Under) Spend	Status
	£m	£m	£m	
Executive Office	7.160	6.768	(0.392)	Under
Customer and Corporate Services	36.250	39.163	2.913	Over
Children's Services	75.456	87.605	12.149	Over
Adults, Health & Communities	108.940	111.161	2.221	Over
Office for the Director of Public Health	2.703	2.703	0.000	Even
Growth	31.785	30.479	(1.306)	Under
Corporate Items & Council Wide	(20.672)	(36.257)	(15.585)	Under
<b>Total</b>	<b>241.622</b>	<b>241.622</b>	<b>0.000</b>	<b>Even</b>

**The Children's Directorate** reported an adverse outturn position of £12.149m against the £75.456m budget. Within the Directorate, Children, Young People and Families (CYPF) recorded a £10.509m overspend, and the Education, Participation and Skills (EPS) department had an overspend of £1.640m. Within CYPF, there was a £6.160m pressure within placements budgets due to lack of placement sufficiency and increases in both the cost and volume of placements. However, £1.084m in year savings were achieved through employee related savings in Multi Agency Support Hub (MASH) and Front Door. Within EPS, £1.640m overspend reported includes an overspend of £1.159m on short breaks, a £0.252m overspend on the 0-25 SEND team due to the use of agency staff to reduce the backlog of Educational Health Care Plans (EHCPs) and a £0.207m overspend on Home to School Transport due to increased cost and the number of routes.

**The Schools Outturn and Balances** The centrally held elements of the DSG were over budget by £14.245m, due to significant increases in numbers and cost of placements for children with SEND, which is funded from the High Needs Block within the DSG. This overspend will be carried forward along with the accumulated deficit on the DSG of £4.253m giving a total overspend to be carried forward of £18.498m. In line with Government guidance, any overspend is carried forward for recovery against future DSG funding. Therefore, the authority cannot fund this pressure from its own General Fund revenue budget (unless permission is given by the Secretary of State to disregard the requirement to fund from the DSG). Year-end budgets have been adjusted to reflect the transfer of the £14.245m overspend into a specific unusable reserve for recovery against future DSG funding. This treatment is in line with Government guidance stating that DSG in-year and cumulative deficits should no longer be held as a negative earmarked reserve and should instead be held in an unusable reserve called the Dedicated Schools Grant Adjustment Account. This accounting treatment has the effect of separating DSG budget deficits from the local authority's General Fund and covers the period to 31st March 2026. The government has announced plans to include working with local authorities to manage their SEND system including DSG deficits, alongside an extension to the DSG Statutory Override until the end of 2027/28.

**Corporate Items and Council Wide** delivered a favourable variation of £15.585m despite covering additional costs like the pay award which was higher than the budgeted allowance. The favourable position was achieved through £6.011m savings within Treasury Management and insurance and additional resource adjustments from prior year Council Tax collection and £9.083m from reserves no longer required.

### **Working Balance held within Usable Reserves**

The Working Balance as at 31 March 2025 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 2024/25 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:

- 96.40% of Council Tax collected in year for 2024/25 towards the total collection target of 97.50% (96.50% in 2023/24). This equates to £161.844m (£153.018m in 2023/24). This was slightly below the percentage collected in 2023/24
- 98.65% of NDR collected in year for 2024/25 towards the total collection target of 99.00% (98.74% in 2023/24). This equates to £88.260m (£82.367m in 2023/24)
- Average borrowing rate of 3.27% was achieved below target of 5.50% in 2024/25 (3.23% in 2023/24)
- Average investment return of 4.84% was achieved against target of 5.00% in 2024/25 (5.33% in 2023/24)

## Capital

During 2024/25 new capital governance processes were introduced with projects being endorsed for approval onto the capital programme through the Capital Programme Officer Group (CPOG) and the Capital Programme Board (CPB). In 2024/25 there were seven CPOG meetings that reviewed the mandates, business cases and change requests associated with council projects.

During the year 2024/25 the Council spent £109.309m on capital projects within the city. This is shown by Directorate in the following table. This is within the approved five-year (2024/25-2028/29) Capital Budget of £395.864m reported to Full Council on 24 February 2025.

Directorate	Approved Capital Budget 2024/25	Latest Forecast December 2024	Approval	Re-Profiling	Variation & Virements	2024/25 Capital Spend
	£m	£m	£m	£m	£m	£m
Growth	155.370	90.446	7.265	(15.302)	(0.631)	81.778
Adults, Health & Communities	26.532	16.809	0.000	(1.350)	(0.008)	15.451
Children's Services	0.546	1.716	0.584	(1.126)	(0.029)	1.145
Customer & Corporate Services	5.287	4.548	1.234	(1.059)	(0.023)	4.700
Office for the Director of Public Health	6.167	6.488	0.000	(0.253)	0.000	6.235
<b>Total Capital Programme</b>	<b>193.902</b>	<b>120.007</b>	<b>9.083</b>	<b>(19.090)</b>	<b>(0.691)</b>	<b>109.309</b>

Throughout the year, the capital programme has continued to experience the ongoing challenges through higher inflation and fluctuating borrowing costs. Regular monitoring between project officers and the capital finance team together with the targeted review of projects has strengthened the programme forecasting in 2024/25.

## Revised Capital Programme 2024-29

Movement of the five-year capital programme since being reported to Full Council on the 24 February 2025 is due to the following changes:

Description	Total
	£m
Capital Programme 31 December 2024 for 5-year period 2024-29	395.864
New Approvals - January to March 2025	29.883
Variations - January to March 2025	(4.115)
Re-profiling into future years outside 5-year programme	(0.003)
<b>Capital Programme 31 March 2025</b>	<b>421.629</b>

The latest capital programme is summarised as follows, this does not reflect the impact of the re-profiling of the budget for 2024/25 which is shown above:

Directorate	2024/25 Actual	2025/26 Forecast	2026/27 Forecast	2021/28 Forecast	2028/29 Forecast	Total
	£m	£m	£m	£m	£m	£m
Growth	81.778	168.755	63.760	23.268	19.378	356.939
Adults, Health & Communities	15.451	19.061	8.792	0.166	0.000	43.470
Children's Services	1.145	3.117	0.000	0.000	0.000	4.262
Customer & Corporate Services	4.700	3.741	1.378	0.280	0.101	10.200
Office for the Director of Public Health	6.235	0.523	0.000	0.000	0.000	6.758
<b>Total</b>	<b>109.309</b>	<b>195.197</b>	<b>73.930</b>	<b>23.714</b>	<b>19.479</b>	<b>421.629</b>

## Capital Financing 2024/25

The following table shows the final financing of the 2024/25 capital programme:

Method of Financing	Total	Funding	
		£m	%
Capital receipts	2.743		3
Grants (Government, HLF, LEP, Environment Agency)	71.876		65
Contributions, S106 & CIL (neighbourhood elements)	1.121		1
Borrowing:			
Corporately funded	12.825		12
Service borrowing (revenue budget funded)	20.744		19
<b>Capital Programme Financing 2024/25</b>	<b>109.309</b>		<b>100</b>

The Council has been successful in obtaining grants from government agencies and other external sources to help fund £72.997m (67%) of the capital programme in 2024/25.

## 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 2025 were £39.603m 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 2025 the Council held £232.894m short-term borrowing and £477.911m 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 2024	Balance as at 31 March 2025
	£000	£000
Non-current assets - principally land, buildings and equipment used to deliver council services	1,438,840	1,500,795
Net current assets - current assets less current liabilities	(250,185)	(370,893)
Long-term liabilities and provisions (including pensions) see points 1 and 2	(712,785)	(694,704)
<b>Net Assets</b>	<b>475,870</b>	<b>435,198</b>
<b>Represented by:</b>		
Usable reserves (see point 3)	74,525	54,261
Unusable reserves	401,345	380,937
<b>Total Reserves</b>	<b>475,870</b>	<b>435,198</b>

- Property, Plant and Equipment has increased by £61.341m due to valuation changes, additions and the impact of International Financial Reporting Standard 16 (IFRS 16) which has increased the value by £5.437k.
- The Council's largest balance sheet liability is the £477.911m (£497.676m in 2023/24) of long-term borrowing which supports the capital programme
- The pension liability of £67.543 (£64.372m in 2023/24) remains largely unchanged year on year with a small increase
- 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 £5.870m has been calculated on the future maintenance costs over the next 42 years and is reviewed each year
  - In addition, the Council has set aside a provision for business rate appeals of £3.293m due to the uncertainty over business rates (£4.747m at 31 March 2024). This has reduced due to the settlement of some large outstanding appeals in 2024/25.
- Usable reserves are currently split between those earmarked for capital investment and those allocated to revenue support and service development. Usable reserves also include £2.696m held on behalf of schools
- 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 five-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. The approved budget for 2025/26 builds on the prudent approach and robust financial

management exercised in 2024/25 and prior years to preserve and protect the Council's future financial resilience and sustainability at a time of increasing cost pressures, uncertainty over future funding arrangements and planned reorganisation of the local government framework.

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 and Capital 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.

### **Risk Management**

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

Risk	Link to Corporate Plan	Impact	Mitigation
<b>Financial</b>			
The Council's expenditure exceeds the resources available to meet that expenditure within the medium term financial plan period (2025/26-2029/30).	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 the 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.
The escalating and sustained strain on the Adult Social Care budget, driven by rising care costs, hospital flow challenges, and a growing population with complex needs, poses a risk of failing to meet statutory service obligations.	Providing quality public services; Focusing on prevention and early intervention; Spending money wisely	Council failure to meet statutory duty to the adult population of Plymouth	Strengthen Scheme of Delegation and management actions focused on practice with our key Partner Livewell South West Increase focus on Practice and outcomes Continued work with health partners to increase numbers discharged from Hospital to the "Home first" pathway Design of appropriate workforce development plans providing care workforce sufficient and skills 1-2 year mitigations Dom Care zoning approach included in procurement aimed to increase efficiency and reduce waste and intermediate care growth to include front door.
<b>Operational/Service Delivery</b>			
Inability to maintain sustainable, effective, and statutorily compliant social care services across both adults and children's services due to increasing demand, financial constraints, and complex legislative changes.	Focusing on prevention and early intervention	Council failure to meet statutory duty to the adult population of Plymouth	Development of integrated transformation approach across both service areas, supported by the People Strategy, Focus on early intervention and prevention, Collaborative commissioning with health partners, Care zoning approach in adult services, Regular review by Corporate Management Team.
<b>Cyber</b>			
Risk of critical service failure due to inadequate digital resilience, cyber security and systematic risk management processes. This includes cyber attacks, system failures, data breaches, and information management weaknesses. CAF assessment identified lack of risk ownership, consistent risk appetite statement, and systematic risk management process for cyber security.	Focusing on prevention and early intervention	Impact on Council's ability to provide services and to operate	Implement clearly defined risk ownership model for IT risks Develop consistent Risk Appetite statement specific to IT and Cyber Security Enhance cyber security monitoring and response capabilities Implement Network and Information Security regulations requirements Regular system resilience testing Data management improvements Staff information security training Strong and tested business continuity plans

## LOOKING FORWARD

The Budget report presented to Full Council on 24 February 2025 set out the national context for large reductions in local government funding and the Local Government Finance Settlement. The 2025/26 Budget as set out cannot balance without the Capitalisation Direction, known as Exceptional Financial Support, requested from MHCLG. The receipt of an 'In Principle' letter has provided assurance to the Section 151 Officer that the budget can proceed. The Budget Report also contained an updated Medium Term Financial Plan (MTFP) for 2025/26 to 2029/30, this will be reviewed regularly 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 2024/25

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2025. 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 2024/25. This is based on International Financial Reporting Standards (IFRS) adapted for use in a public sector context. Accounting policies are applied in accordance with these standards. The Statement of Accounts comprises:

Statement of Responsibilities for the Statement of Accounts	This sets out the respective responsibilities of the Council and the Chief Finance Officer (Service Director for Finance).
Auditor's Report	This gives the auditor's opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.
<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.

<b>Core Financial Statements Continued:</b>	
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 (for example 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 and Notes:</b>	
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 2024/25 AGS can be found on the council's website alongside the Statement of Accounts.

## CONCLUSION

The formal audit of the Draft Statement of Accounts commenced in September 2025 and the period for public inspection ran from 1 July to 11 August 2025.

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.

Further information is available:

- on the Council's website
- from Corporate Accountancy Team, Ballard House West Hoe Road, Plymouth PL1 3BJ, email [corporateaccountancy@plymouth.gov.uk](mailto:corporateaccountancy@plymouth.gov.uk).

David Northey

Interim Service Director for Finance and Section 151 Officer

Ballard House  
West Hoe Road  
Plymouth  
PL1 3BJ

Dated:

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS****The Council is required to:**

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

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

The Service Director for Finance is responsible for the preparation of the Council's Statement of Accounts 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 2025 and of its expenditure and income for the year ended 31 March 2025.

David Northey

Interim Service Director for Finance and Section 151 Officer

Ballard House  
West Hoe Road  
Plymouth  
PL1 3BJ

Dated:

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2025

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.

2023/24 Gross Expenditure	2023/24 Gross Income	2023/24 Net Expenditure		Note	2024/25 Gross Expenditure	2024/25 Gross Income	2024/25 Net Expenditure
£000	£000	£000			£000	£000	£000
167,651	(66,783)	100,868	Adults Health and Communities		177,806	(64,504)	113,302
105,782	(64,634)	41,148	Customer and Corporate Services		113,796	(68,509)	45,287
7,080	(599)	6,481	Executives Office		8,352	(1,753)	6,599
186,782	(104,098)	82,684	Children's Services		219,861	(116,021)	103,840
9,467	(44,934)	(35,467)	Corporate Items & Council Wide		26,262	(63,521)	(37,259)
31,130	(25,775)	5,355	Office for the Director of Public Health		35,522	(28,449)	7,073
86,717	(54,978)	31,739	Growth		140,144	(68,377)	71,767
<b>594,609</b>	<b>(361,801)</b>	<b>232,808</b>	<b>(Surplus)/Deficit on Continuing Operations</b>		<b>721,743</b>	<b>(411,134)</b>	<b>310,609</b>
19,064	(1,367)	17,697	Other Operating Expenditure	<u>11</u>	5,778	(4,826)	952
57,829	(33,266)	24,563	Financing and Investment Income and Expenditure	<u>13</u>	62,859	(45,371)	17,488
0	(295,379)	(295,379)	Taxation and Non-Specific Grant Income	<u>14</u>	0	(237,632)	(237,632)
<b>671,502</b>	<b>(691,813)</b>	<b>(20,311)</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>790,380</b>	<b>(698,963)</b>	<b>91,417</b>
		(35,505)	(Surplus)/deficit on Revaluation of Non-Current Assets	<u>22.1</u>			(54,735)
		43,272	Re-measurement of the Net Defined Benefit Liability (Assets)	<u>22.4</u>			4,252
		(56)	Other recognised (gains)/losses				(263)
		<b>7,711</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(50,746)</b>
		<b>(12,600)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>40,671</b>

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2025

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

Movement in Reserves Statement	Note	General Fund Balance	Earmarked General Fund	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2023</b>		(60,138)	76,414	16,276	17,207	38,687	72,170	391,099	463,269
<b>Movement in Reserves 2023/24</b>									
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	<u>10</u>	(16,256)	0	(16,256)	(2,868)	1,168	(17,956)	17,956	0
<b>Net Increase/(Decrease) Before Transfer to Earmarked Reserves</b>		4,055	0	4,055	(2,868)	1,168	2,355	10,245	12,600
Transfer (to)/from reserves	<u>12</u>	(4,055)	4,055	0	0	0	0	0	0
<b>Net Increase/(Decrease) in 2023/24</b>		0	4,055	4,055	(2,868)	1,168	2,355	10,245	12,600
<b>Balance at 31 March 2024</b>		(60,138)	80,469	20,331	14,339	39,855	74,525	401,345	475,870
<b>Movement in Reserves 2024/25</b>									
Total comprehensive income and expenditure		(91,417)	0	(91,417)	0	0	(91,417)	50,746	(40,671)
Adjustments between accounting basis and funding under regulations	<u>10</u>	71,732	0	71,732	1,453	(2,032)	71,155	(71,155)	0
<b>Net Increase/(Decrease) Before Transfer to Earmarked Reserves</b>		(19,685)	0	(19,685)	1,453	(2,032)	(20,262)	(20,409)	(40,671)
Transfer (to)/from reserves	<u>12</u>	19,685	(19,685)	0	0	0	0	0	0
<b>Net Increase/(Decrease) in 2024/25</b>		0	(19,685)	(19,685)	1,453	(2,032)	(20,263)	(20,409)	(40,671)
<b>Balance at 31 March 2025</b>		(60,138)	60,784	646	15,792	37,823	54,261	380,937	435,198

## 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 2024		Note	31 March 2025
£000			£000
1,072,298	Property, Plant and Equipment	<a href="#">15</a>	1,133,639
51,236	Heritage Assets	<a href="#">16</a>	51,236
223,724	Investment Properties	<a href="#">17</a>	219,473
0	Intangible Assets		485
81,333	Long-Term Investments	<a href="#">18.1</a>	84,368
10,249	Long-Term Debtors	<a href="#">19.2</a>	11,594
<b>1,438,840</b>	<b>Non-Current Assets</b>		<b>1,500,795</b>
971	Inventories		980
109,380	Short-Term Debtors	<a href="#">19.1</a>	96,490
26,998	Cash and Cash Equivalents	<a href="#">23.4</a>	39,603
2,803	Assets Held for Sale		2,315
<b>140,152</b>	<b>Current Assets</b>		<b>139,388</b>
(166,385)	Short-Term Borrowing	<a href="#">18.1</a>	(232,894)
(115,396)	Short-Term Creditors	<a href="#">20.1</a>	(121,618)
(6,626)	Short-Term Provisions	<a href="#">21</a>	(5,060)
(9,830)	Grants Received in Advance - Revenue	<a href="#">29.1</a>	(8,593)
(92,100)	Grants Received in Advance - Capital	<a href="#">29.1</a>	(142,116)
<b>(390,337)</b>	<b>Current Liabilities</b>		<b>(510,281)</b>
(9,376)	Long-Term Creditors	<a href="#">20.2</a>	(8,246)
(9,388)	Long-Term Provisions	<a href="#">21</a>	(8,951)
(497,676)	Long-Term Borrowing	<a href="#">18.1</a>	(477,911)
(64,372)	Long-Term Liabilities Pensions	<a href="#">34.3 &amp; 34.9</a>	(67,543)
(103,561)	Other Long-Term Liabilities	<a href="#">20.3</a>	(92,828)
(28,412)	Grants Received in Advance - Capital	<a href="#">29.2</a>	(39,225)
<b>(712,785)</b>	<b>Long-Term Liabilities</b>		<b>(694,704)</b>
<b>475,870</b>	<b>Net Assets</b>		<b>435,198</b>
74,525	Usable Reserves		54,261
401,345	Unusable Reserves	<a href="#">22</a>	380,937
<b>475,870</b>	<b>Total Reserves</b>		<b>435,198</b>

## 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.

2023/24		Note	2024/25
£000			£000
20,311	Net Surplus/(Deficit) on the Provision of Service	<a href="#">23.1</a>	(91,417)
(18,426)	Adjustment to the Net Surplus/(Deficit) on the Provision of Service for non-cash movements	<a href="#">23.1</a>	9,880
(81,401)	Adjustments for items included in the Net Surplus/(Deficit) on the Provision of Service that are investing and financing activities	<a href="#">23.1</a>	(21,756)
<b>(79,516)</b>	<b>Net Cash Flows from Operating Activities</b>		<b>(103,293)</b>
(31,812)	Investing activities	<a href="#">23.2</a>	64,812
108,144	Financing activities	<a href="#">23.3</a>	51,086
<b>(3,184)</b>	<b>Net Increase/(Decrease)in Cash and Cash Equivalents</b>		<b>12,605</b>
30,182	Cash and cash equivalents at the beginning of the reporting period	<a href="#">23.4</a>	26,998
<b>26,998</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>		<b>39,603</b>

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## I Accounting Policies

### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year ended 31 March 2025. 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 2024/25 (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 (for example 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 (for example 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 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 5.8%.

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

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

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

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

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

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

### Discretionary Benefits

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

### 1.10 Events After the Balance Sheet Date

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

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

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

### 1.11 Financial Instruments

#### Financial Liabilities

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

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).

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

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

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

## Financial Derivatives

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

### 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
- 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 and 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

### The Authority as Lessee

From 1 April 2024, the authority has applied IFRS 16 Leases as adopted by the Code of Practice on Local Authority Accounting. The new accounting standard requires that the rights to use items acquired under all leases are recognised as assets on the Balance Sheet, together with a liability for the payments to be made for the acquisition. Previously this was only done for leases where the Council acquired substantially all the risks and rewards of ownership of the leased item (finance leases).

Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

### Initial Measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, included in-substance fixed payments

- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

### **Subsequent Measurement**

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate for the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

### **Low Value and Short Lease Exemption**

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £10,000 for land and property and £5,000 for vehicle, plant and equipment, when new, provided they are not highly dependent on or integrated with other items. These values are in line with our capitalisation policy within note [1.20](#), and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

## Lease Expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

## The Council as the Lessor (Assets Leased Out)

### Operating Leases

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

## 1.20 Property, Plant and Equipment

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

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an 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 (for example bridges), street lighting, street furniture (for example illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

- **Recognition**

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

- **Measurement**

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

- **Depreciation**

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

- **Disposals and Derecognition**

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

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

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

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

The Council's PFI contracts were reviewed under IFRS16 leases. The impact of these changes can be seen in note [33](#).

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 Services 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 (for example 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
- 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 Children's directorate in the CIES. The reserves are included in the Education Reserve balance, which forms part of the Council's Useable reserves.

## 1.26 Value Added Tax

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

## 1.27 Fair Value Measurement of Non-Financial Assets

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

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

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

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

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

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

### Level 1 – Quoted Prices (Unadjusted)

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.

## **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 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 through to 2024/25 was insufficient to meet its expenditure. Due to this change in accounting treatment it has been necessary for the Council to request a retrospective Capitalisation Direction from Government.

## **3 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

### **Tamar Bridge Valuation – Departure from the Code of Practice**

The Tamar Bridge is a toll bridge that is jointly owned by Cornwall Council and Plymouth City Council. The Code of Practice on Local Authority Accounting requires infrastructure assets to be accounted for using depreciated historic cost, however both Councils use depreciated replacement cost (DRC) to value the asset. This is because the Tamar Bridge is an income generating asset and the income generated is used to maintain its upkeep. It is therefore treated as a separate class of asset and the reader of the Council's accounts might reasonably expect there to be a relationship between the income raised in tolls and the cost of maintaining and ultimately replacing the bridge. The current DRC value of the bridge is £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 surplus of £204.786m means that the asset ceiling has reduced what would otherwise be the net pensions asset of £183.564m to a liability of £61.218m.

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

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom, these are:

- The effects of Changes in Foreign Exchange Rate (Amendments to IAS21) issued in August 2023
- Insurance Contracts (IFRS17) issued in May 2017
- Property, Plant and Equipment (adaptation and interpretation of IAS16)
- Intangible Assets (adaptation and interpretation of IAS38).

None of these amendments are expected to have a material impact on the Council's financial performance or financial position.

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

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

Item	Uncertainties	Consequences (if actual results differ from assumptions)
Pensions Liability	<p>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.</p> <p>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 <a href="#">34</a> to the accounts. The carrying value of this long-term liability at the end of the reporting period was £61.218m.</p>	<p>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.</p> <p>The changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from council tax receipts.</p>

Item	Uncertainties	Consequences (if actual results differ from assumptions)
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Asset valuations are based on market prices, condition surveys and standards of professional practice set out by the Royal Institute of Chartered Surveyors (RICS) and a small proportion of assets are periodically re-valued using a 5-year rolling programme. The Council's valuers and external valuers provided valuations as at 31 March 2025 for approximately 80% of its operational portfolio in order to ensure that the Council does not materially misstate its Property, Plant and Equipment. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The carrying value of this long-term asset at the end of the reporting period was £1,133.642m.</p>	<p>Any change in the valuation or useful life of an asset would affect the carrying value of the asset in the balance sheet and the charge for depreciation or impairment would impact on the CIES. If the value of the Council's operational properties reduced by 10%, this would result in a net reduction of £68.09m which would either result in a decrease to the Revaluation Reserve and/or a charge to the CIES.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the CIES.</p> <p>The above changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from Council Tax receipts.</p>

## 6 Events After the Balance Sheet Reporting Period

Events after the reporting period are those that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

There are two types of events:

- Those that provide evidence of conditions at the end of the reporting period, which are adjusted in the accounts
- Those that relate to conditions after the reporting period, which are not adjusted in the accounts and disclosed in the notes to the statements.

There are no material adjusting or non-adjusting events that have occurred after the reporting period.

## 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.

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			2024/25 Directorate Total Reported for Outturn	2024/25 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances	2024/25 Net Expenditure Chargeable to the General Fund Balances	2024/25 Adjustments Between the Funding and Accounting Basis	2024/25 Net Expenditure to the CIES
£000	£000	£000	£000	£000			£000	£000	£000	£000	£000
99,517	(39)	99,478	1,390	100,868	Adults Health and Communities	111,161	0	111,161	2,141	113,302	
37,402	0	37,402	3,746	41,148	Customer and Corporate Services	39,163	0	39,163	6,124	45,287	
6,739	0	6,739	(258)	6,481	Executives Office	6,768	0	6,768	(169)	6,599	
75,123	1	75,124	7,560	82,684	Children's Services	87,605	0	87,605	16,235	103,840	
(32,018)	(2,173)	(34,191)	(1,276)	(35,467)	Corporate Items & Council Wide	(36,257)	(19,880)	(56,137)	18,878	(37,259)	
2,802	37	2,839	2,516	5,355	Office for the Director of Public Health	2,703	0	2,703	4,370	7,073	
28,875	(593)	28,282	3,457	31,739	Growth	30,479	(43)	30,436	41,331	71,767	
<b>218,440</b>	<b>(2,767)</b>	<b>215,673</b>	<b>17,135</b>	<b>232,808</b>	<b>Net Cost of Service</b>	<b>241,622</b>	<b>(19,923)</b>	<b>221,699</b>	<b>88,910</b>	<b>310,609</b>	
		(219,728)	(33,391)	(253,119)	Other Income and Expenditure			(202,014)	(17,178)	(219,192)	
		(4,055)	(16,256)	(20,311)	(Surplus)/Deficit on Provision of Service			19,685	71,732	91,417	
		(16,276)			Opening General Fund and Earmarked Balance at 31 March			(20,331)			
		(4,055)			(Surplus)/Deficit on General Fund and Earmarked Balance in Year			19,685			
		(20,331)			<b>Closing General Fund Balance at 31 March</b>			(646)			

## 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
<b>2024/25</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adults Health and Communities	1,283	(632)	1,490	2,141
Customer and Corporate Services	8,103	(931)	(1,048)	6,124
Executives Office	23	(231)	39	(169)
Children's Services	3,592	(2,156)	14,799	16,235
Corporate Items & Council Wide	1,612	647	16,619	18,878
Office for the Director of Public Health	5,668	(232)	(1,066)	4,370
Growth	49,373	(1,830)	(6,212)	41,331
<b>Net Cost of Service</b>	<b>69,654</b>	<b>(5,365)</b>	<b>24,621</b>	<b>88,910</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	28,812	3,675	(49,665)	(17,178)
<b>Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service</b>	<b>98,466</b>	<b>(1,690)</b>	<b>(25,044)</b>	<b>71,732</b>

Adjustments from General Fund to Arrive at the CIES Amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
<b>2023/24</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adults Health and Communities	1,195	(711)	906	1,390
Customer and Corporate Services	7,005	(1,071)	(2,188)	3,746
Executives Office	36	(290)	(4)	(258)
Children's Services	5,972	(2,270)	3,858	7,560
Corporate Items & Council Wide	599	944	(2,819)	(1,276)
Office for the Director of Public Health	4,144	(268)	(1,360)	2,516
Growth	14,142	(2,030)	(8,655)	3,457
<b>Net Cost of Service</b>	<b>33,093</b>	<b>(5,696)</b>	<b>(10,262)</b>	<b>17,135</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	49,101	(1,520)	(80,972)	(33,391)
<b>Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service</b>	<b>82,194</b>	<b>(7,216)</b>	<b>(91,234)</b>	<b>(16,256)</b>

### 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 statute:

- **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	2023/24	2024/25
	£000	£000
<b>Expenditure:</b>		
Employee benefits expenses	128,320	150,573
Other service expenses	475,503	533,397
Depreciation, amortisation, impairment	44,181	76,980
Interest payments	23,498	29,430
<b>Total Expenditure</b>	<b>671,502</b>	<b>790,380</b>
<b>Income:</b>		
Fees, charges and other service income	(137,772)	(159,869)
Interest and investment income	(6,204)	(14,002)
Income from council tax, non-domestic rates, district rate income	(192,523)	(200,551)
Government grants and contributions	(355,314)	(324,541)
<b>Total Income</b>	<b>(691,813)</b>	<b>(698,963)</b>
<b>Surplus or Deficit on the Provision of Service</b>	<b>(20,311)</b>	<b>91,417</b>

## 10 Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

Adjustments Between Accounting Basis and Funding Basis Under Regulations	2023/24				2024/25			
	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	£000
<b>Adjustments involving the Capital Adjustment Account:</b>								
<b>Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement:</b>								
Charges for depreciation and impairment of non-current assets	(44,754)	0	0	44,754	(45,648)	0	0	45,648
Revaluation losses on Property, Plant and Equipment	18,802	0	0	(18,802)	(18,401)	0	0	18,401
Movements in the market value of Investment Properties	(12,946)	0	0	12,946	(3,151)	0	0	3,151
Capital grants and contributions	80,212	0	(80,212)	0	19,232	0	(19,232)	0
Movement in the Donated Assets Account	0	0	0	0	(539)	0	0	539
Revenue expenditure funded from capital under statute	(23,193)	0	0	23,193	(32,466)	0	0	32,466
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	(20,320)	(1,196)	0	21,516	(3,845)	(1,259)	0	5,104
Deferred credit Energy from Waste	2,324	0	0	(2,324)	2,324	0	0	(2,324)
<b>Insertion of Items not Debited or Credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment	18,425	757	0	(19,182)	21,349	492	0	(21,841)
Capital expenditure charged against the General Fund	273	0	0	(273)	466	0	0	(466)
<b>Adjustments involving the Capital Receipts Reserve:</b>								
Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement	196	(196)	0	0	3,663	(3,663)	0	0
<b>Total C/FWD</b>	<b>19,019</b>	<b>(635)</b>	<b>(80,212)</b>	<b>61,828</b>	<b>(57,016)</b>	<b>(4,430)</b>	<b>(19,232)</b>	<b>80,678</b>

Adjustments Between Accounting Basis and Funding Basis Under Regulations	2023/24				2024/25			
	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
<b>Total B/FWD</b>	<b>19,019</b>	<b>(635)</b>	<b>(80,212)</b>	<b>61,828</b>	<b>(57,016)</b>	<b>(4,430)</b>	<b>(19,232)</b>	<b>80,678</b>
Long term debtor repayments in year	0	(2,845)	0	2,845	0	(1,398)	0	1,398
Use of the Capital Receipts Reserve to finance new capital expenditure	0	6,348	0	(6,348)	0	4,375	0	(4,375)
<b>Adjustments Involving the Capital Grants Unapplied Account:</b>								
Use of the Capital Grants unapplied Account to finance new capital expenditure	0	0	79,044	(79,044)	0	0	21,264	(21,264)
<b>Adjustments Involving the Financial Instruments Adjustment Account:</b>								
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	620	0	0	(620)	623	0	0	(623)
<b>Adjustments Involving the Pooled Investments Fund Adjustment Account</b>								
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	(652)	0	0	652	1,182	0	0	(1,182)
<b>Adjustments Involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(11,751)	0	0	11,751	(18,355)	0	0	18,355
Employer's pensions contributions and direct payments to pensioners payable in the year	18,968	0	0	(18,968)	20,574	0	0	(20,574)
<b>Adjustments Involving the Collection Fund Adjustment Account:</b>								
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	(5,606)	0	0	5,606	(3,256)	0	0	3,256
<b>Adjustment involving the Dedicated Schools Grant Adjustment Account:</b>								
Transfer of deficit on the Dedicated Schools Grant to the Dedicated Schools Grant Adjustment Account	(4,253)	0	0	4,253	(14,245)	0	0	14,245
<b>Adjustment Involving the Accumulating Compensated Absences Adjustment Account</b>								
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	(89)	0	0	89	(1,239)	0	0	1,239
<b>Total Adjustments</b>	<b>16,256</b>	<b>2,868</b>	<b>(1,168)</b>	<b>(17,956)</b>	<b>(71,732)</b>	<b>(1,453)</b>	<b>2,032</b>	<b>71,153</b>

## General Fund Balances

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

## Capital Receipts Reserve

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

## Capital Grants Unapplied

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

## 11 Other Operating Expenditure

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

Other Operating Expenditure	2023/24	2024/25
	£000	£000
Levies	121	133
Gains/(losses) on the disposal of non-current assets	18,186	1,457
Pension administration costs	571	626
Other income *	(1,181)	(1,264)
<b>Total</b>	<b>17,697</b>	<b>952</b>

\* 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.

2024/25	Balance as at 31 March 2024	Transfers to Reserves 2024/25	Transfers from Reserves 2024/25	Balance as at 31 March 2025
	£000	£000	£000	£000
<b>Education Reserves</b>	(3,154)	(2,691)	3,149	(2,696)
<b>Other Ringfenced</b>	(4,428)	(705)	1,456	(3,677)
<b>Other Reserves</b>	(5,888)	(2,848)	1,022	(7,714)
<b>PCC Earmarked Reserves:</b>				
Integrated Finance Reserve	(16,373)	(8,595)	16,373	(8,595)
Collection Fund Reserve	(1,137)	(860)	1,137	(860)
Other PCC Earmarked Reserves	(49,489)	(4,731)	16,978	(37,242)
<b>Total Reserves</b>	<b>(80,469)</b>	<b>(20,430)</b>	<b>40,115</b>	<b>(60,784)</b>

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
<b>Education Reserves</b>	(3,667)	(3,149)	3,662	(3,154)
<b>Other Ringfenced</b>	(3,627)	(801)	0	(4,428)
<b>Other Reserves</b>	(6,061)	(1,628)	1,801	(5,888)
<b>PCC Earmarked Reserves:</b>				
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)
<b>Total Reserves</b>	<b>(76,414)</b>	<b>(12,684)</b>	<b>8,629</b>	<b>(80,469)</b>

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 2025 balance relating to the school budget share was £2.691m (31 March 2024: £3.149m)
- **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	2023/24	2024/25
	£000	£000
Interest payable and similar charges	23,477	27,783
Fair value for Financial Instruments	(921)	(4,210)
Pensions interest cost and expected return on pension assets	(2,029)	2,572
Interest receivable and similar income	(5,118)	(5,459)
Gains/losses on disposal of Maintained Schools	3,059	0
(Surplus)/deficit on trading undertakings not included in Net Cost of Service	332	290
Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal	5,763	(3,488)
<b>Total</b>	<b>24,563</b>	<b>17,488</b>

## 14 Taxation and Non-Specific Grant Income and Expenditure

Analysis of Income	2023/24	2024/25
	£000	£000
Council tax income	(131,562)	(138,668)
Non domestic rates	(60,961)	(61,883)
Non-ringfenced government grants	(36,588)	(41,103)
Capital grants and contributions	(66,268)	4,022
<b>Total</b>	<b>(295,379)</b>	<b>(237,632)</b>

## 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.

<b>Property, Plant and Equipment Assets</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£000</b>	<b>£000</b>
Infrastructure Assets	243,051	260,451
Other Property, Plant and Equipment Assets	829,247	873,191
<b>Total Property, Plant and Equipment Assets</b>	<b>1,072,298</b>	<b>1,133,642</b>

<b>Infrastructure Assets</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Net Book Value</b>	<b>242,352</b>	<b>243,051</b>
Additions	12,486	18,470
Reclassifications	6,360	17,757
Depreciation	(17,831)	(18,577)
Disposals and Decommissioning	(316)	(250)
<b>Balance as at 31 March</b>	<b>243,051</b>	<b>260,451</b>

The movement in Property, Plant and Equipment (PPE) in 2024/25 is summarised in the following table:

2024/25	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
<b>Cost of Valuation</b>								
At 1 April 2024	635,348	72,789	83,084	3,605	10,561	82,717	888,104	125,935
Additions	14,326	6,396	11	774	333	33,834	55,674	(10,985)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	36,318	0	0	(270)	(88)	0	35,960	13,504
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(18,656)	0	(414)	0	(303)	0	(19,373)	0
Derecognition - disposals	(109)	(3,783)	0	0	(3,313)	0	(7,205)	0
Other movements in cost or valuation	31,104	27	0	0	5,076	(54,283)	(18,076)	0
<b>At 31 March 2025</b>	<b>698,331</b>	<b>75,429</b>	<b>82,681</b>	<b>4,109</b>	<b>12,266</b>	<b>62,268</b>	<b>935,084</b>	<b>128,454</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2024	(12,034)	(45,521)	0	(1,302)	0	0	(58,857)	(532)
Depreciation charge	(20,979)	(5,831)	(1,030)	0	(37)	0	(27,877)	(5,794)
Depreciation written out to the Revaluation Reserve	19,297	0	0	0	8	0	19,305	5,761
Depreciation written out to the surplus/deficit on the Provision of Services	1,339	0	989	0	0	0	2,328	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	(254)	0	0	0	0	0	(254)	0
Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services	(79)	0	0	1,144	0	0	1,065	0
Derecognition - disposals	7	2,401	0	0	29	0	2,437	0
Derecognition - other	(40)	0	0	0	0	0	(40)	0
<b>At 31 March 2025</b>	<b>(12,743)</b>	<b>(48,951)</b>	<b>(41)</b>	<b>(158)</b>	<b>0</b>	<b>0</b>	<b>(61,893)</b>	<b>(565)</b>
<b>Net Book Value</b>								
<b>At 31 March 2025</b>	<b>685,588</b>	<b>26,478</b>	<b>82,640</b>	<b>3,951</b>	<b>12,266</b>	<b>62,268</b>	<b>873,191</b>	<b>127,889</b>
<b>At 31 March 2024</b>	<b>623,314</b>	<b>27,268</b>	<b>83,084</b>	<b>2,303</b>	<b>10,561</b>	<b>82,717</b>	<b>829,247</b>	<b>125,403</b>

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
<b>Cost of Valuation</b>								
At 1 April 2023	638,462	83,915	62,058	3,605	10,044	50,391	848,475	128,935
Additions	10,015	6,276	17	0	27	42,308	58,643	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	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
<b>At 31 March 2024</b>	<b>635,348</b>	<b>72,789</b>	<b>83,084</b>	<b>3,605</b>	<b>10,561</b>	<b>82,717</b>	<b>888,104</b>	<b>125,935</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 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	5,955
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
<b>At 31 March 2024</b>	<b>(12,034)</b>	<b>(45,521)</b>	<b>0</b>	<b>(1,302)</b>	<b>0</b>	<b>0</b>	<b>(58,857)</b>	<b>(532)</b>
<b>Net Book Value</b>								
<b>At 31 March 2024</b>	<b>623,314</b>	<b>27,268</b>	<b>83,084</b>	<b>2,303</b>	<b>10,561</b>	<b>82,717</b>	<b>829,247</b>	<b>125,403</b>
<b>At 31 March 2023</b>	<b>625,870</b>	<b>26,193</b>	<b>61,473</b>	<b>2,303</b>	<b>10,004</b>	<b>50,391</b>	<b>776,234</b>	<b>128,436</b>

## 15.2 Commitments Under Capital Contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2025 amounted to £92.186m (31 March 2024: £35.878m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme. Significant contractual commitments outstanding as at 31 March 2025 were as follows:

Project	Contractor	Amount
		£000
Armada Way Delivery	Morgan Sindall Construction	17,013
Zero Emission Bus Regional Areas	Plymouth Citybus	10,606
Re-provision of Vines and Colwill Lodge	Devon Contractors	9,661
Plymouth and South Devon Freeport	Sherford Consortium, Devon County Council, South Hams District Council, Devon Contractors, Seed Capital	16,060
Plymouth Sound National Marine Park	Nevada, Classic Builders, Currie & Brown	7,661
Woolwell to The George	Balfour Beatty	4,840
Royal Parade	Morgan Sindall	4,600
Plymouth Guildhall	TEC Construction, DFR Roofing, Currie & Brown	3,121
Lipson Vale Phase 1 Trefusis Park Flood Defence	Kier Infrastructure	2,700
Derriford District Centre	ADC Kimberly Derriford Ltd	2,400
A38 Manadon Interchange (LLM)	Balfour Beatty	1,579
Local Authority Housing Fund Phase 3	Bournemouth Churches Housing Association Ltd and Plymouth Access To Housing	1,531
Food Waste Collection Service Vehicles and Containers	Terberg Matec	1,125
Civic Centre	Aecom Limited, Gwella Contracting Services Ltd	1,124
Carriageway Surface Dressing	South West Highways	1,121
Brickfields	Plymouth Argyle Community Trust, Gill Akaster, FieldTurfTarkett	954
Other contractual commitments under £500k	Various	6,090
<b>Total</b>		<b>92,186</b>

## 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	473	0	26,364	0	26,837
<b>Valued at Current Value as at:</b>					
31 March 2024	525,136	82,681	0	12,266	620,083
31 March 2023	60,714	0	0	0	60,714
31 March 2022	46,428	0	0	0	46,428
31 March 2021	47,834	0	0	0	47,834
31 March 2020	94	0	0	0	94
<b>Total Cost of Valuation</b>	<b>680,679</b>	<b>82,681</b>	<b>26,364</b>	<b>12,266</b>	<b>801,990</b>

There may be variations in the totals in the table above compared to Note 15.1. This is due to the addition of IFRS16 valuations in Note 15.1 which are not included in this table.

#### 15.4 Gain/(Loss) on Disposal of Non-Current Assets

Assets Written Off Balance Sheet	2023/24	2024/25
	£000	£000
Land and property sales	18,186	1,457
Academy and trust schools	3,059	0
Investment properties	80	41
<b>Total</b>	<b>21,325</b>	<b>1,498</b>

#### 15.5 Fair Value Hierarchy for Surplus Assets

Recurring Fair value Measurement Using	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2024
2024/25	£000	£000	£000	£000
Development & surplus land	0	12,266	0	12,266
<b>Total</b>	<b>0</b>	<b>12,266</b>	<b>0</b>	<b>12,266</b>

Recurring Fair Value Measurements Using	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2023
2023/24	£000	£000	£000	£000
Development & surplus land	0	10,561	0	10,561
<b>Total</b>	<b>0</b>	<b>10,561</b>	<b>0</b>	<b>10,561</b>

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	Items Over £100k	Natural History, Decorative Art & Other Miscellany	Special Books Collection	Total Assets
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
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
<b>As at 31 March 2024</b>	<b>3,817</b>	<b>31,360</b>	<b>4,732</b>	<b>0</b>	<b>7,827</b>	<b>3,500</b>	<b>51,236</b>
<b>Cost or Valuation</b>							
As at 1 April 2024	3,817	31,360	4,732	0	7,827	3,500	51,236
<b>As at 31 March 2025</b>	<b>3,817</b>	<b>31,360</b>	<b>4,732</b>	<b>0</b>	<b>7,827</b>	<b>3,500</b>	<b>51,236</b>

## 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	2023/24	2024/25
	£000	£000
Rental income from Investment Property	18,280	19,583
Direct operating expenses arising from Investment Property	(11,017)	(12,903)
<b>Net Gain/(Loss)</b>	<b>7,263</b>	<b>6,680</b>

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	2023/24	2024/25
	£000	£000
<b>Balance at 1 April</b>	<b>238,435</b>	<b>223,724</b>
Disposals	(80)	(121)
Net gains/(losses) from fair value adjustments	(12,946)	(3,151)
<b>Transfers:</b>		
(To)/from Property, Plant and Equipment	(1,685)	(979)
<b>Balance at 31 March</b>	<b>223,724</b>	<b>219,473</b>

## 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 2025 are as follows:

Recurring Fair Value Measurements Using	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 2025
2024/25	£000	£000	£000	£000
Industrial sites	0	63,582	0	63,582
Miscellaneous ground rents	0	5,753	3,287	9,040
Miscellaneous lets	0	20,478	44	20,522
Retail ground rents	0	21,650	0	21,650
Offices	0	4,579	0	4,579
Out of town retail	0	66,713	0	66,713
Out of town businesses	0	32,458	0	32,458
Development and Surplus Land	0	768	127	895
Lodges	0	34	0	34
<b>Total</b>	<b>0</b>	<b>216,015</b>	<b>3,458</b>	<b>219,473</b>

There were no transfers between Levels 1 and 2 during the year.

Recurring Fair Value Measurements Using	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value as at 31 March 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
<b>Total</b>	<b>0</b>	<b>219,642</b>	<b>4,082</b>	<b>223,724</b>

There were no transfers between Levels 1 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 2024	31 March 2025
	£000	£000
<b>Opening Balance</b>	<b>3,989</b>	<b>4,082</b>
Total gains/(losses) for the period included in the surplus or deficit on the provision of services resulting from changes in fair value	93	(624)
<b>Closing Balance</b>	<b>4,082</b>	<b>3,458</b>

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.

An investment in Altana Social Impact Partnership has been recategorized from a Pooled fund to an investment at amortised cost as the fair value information was not available at 31 March 2025. Against the original £5m investment unallocated capital totalling £1.073m was returned during 2024/25 following expiry of the investment period.

The financial assets disclosed in the Balance Sheet are made up of the following categories of Financial Instruments:

Financial Assets	Fair Value Level	Long-Term		Short-Term		Total	
		31 March 24	31 March 25	31 March 24	31 March 25	31 March 24	31 March 25
		£000	£000	£000	£000	£000	£000
<b>At Fair Value Through Profit or Loss:</b>							
Money Market Fund (MMF)	I	0	0	22,500	35,375	22,500	35,375
Pooled funds	I	52,382	48,465	0	0	52,382	48,465
Interest rate swap	I	28,878	31,803	0	0	28,878	31,803
<b>Amortised Cost:</b>							
Investments	I	73	4,100	0	0	73	4,100
Cash and Cash equivalents (less MMF)	I	0	0	4,498	4,228	4,498	4,228
<b>Total Investments</b>		<b>81,333</b>	<b>84,368</b>	<b>26,998</b>	<b>39,603</b>	<b>108,331</b>	<b>123,971</b>
<b>Debtors</b>							
Financial Instruments	I	10,249	11,594	54,099	19,785	64,348	31,379
Non-Financial Instruments	I	0	0	55,281	76,705	55,281	76,705
<b>Total Financial Assets</b>		<b>91,582</b>	<b>95,962</b>	<b>136,378</b>	<b>136,093</b>	<b>227,960</b>	<b>232,055</b>

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:

Financial Liabilities	Fair Value Level	Long-Term		Short-Term		Total	
		31 March 24	31 March 25	31 March 24	31 March 25	31 March 24	31 March 25
		£000	£000	£000	£000	£000	£000
<b>Loans at Amortised Cost:</b>							
PWLB	0	(410,532)	(410,532)	(76,299)	(144,633)	(486,831)	(555,165)
Market Loans	0	(82,422)	(67,346)	(1,157)	(6,074)	(83,579)	(73,420)
Other borrowing	0	(4,722)	(33)	(88,929)	(82,187)	(93,651)	(82,220)
<b>Total Borrowing</b>		<b>(497,676)</b>	<b>(477,911)</b>	<b>(166,385)</b>	<b>(232,894)</b>	<b>(664,061)</b>	<b>(710,805)</b>
<b>Liabilities at Amortised Cost:</b>							
Other liabilities	1	(103,561)	(92,828)	(6,252)	(6,325)	(109,813)	(99,153)
<b>Creditors</b>							
Financial Instruments	0	0	0	(59,076)	(58,387)	(59,076)	(58,387)
Non-Financial Instruments	1	(9,376)	(8,246)	(50,067)	(56,906)	(59,443)	(65,152)
<b>Total Financial Liabilities</b>		<b>(610,613)</b>	<b>(578,985)</b>	<b>(281,780)</b>	<b>(354,512)</b>	<b>(892,393)</b>	<b>(933,497)</b>

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) – during 2024/25 two LOBO's totalling £10m were called in by the lender and the Council took the decision to redeem. A further £5m LOBO loan was called in by the lender in March 2025 and it was agreed that this would be repaid on the call in date 1 April 2025 with the balance as at 31 March being treated as short term borrowing. There are two further loans totalling £29m which have call in dates in the next 12 months.

A 'call in' 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 to redeem the loan.

#### Financial Liabilities Comparison to Fair Values

Financial Liabilities	Balance Sheet	Fair Value 31 March 2024	Fair Value 31 March 2024	Balance Sheet	Fair Value 31 March 2025
	31 March 2024			£000	
<b>Loans at Amortised Cost:</b>					
PWLB		486,831	345,869	555,165	387,176
LOBO loans		65,380	74,854	55,220	58,726
Other market loans		18,199	16,974	18,200	14,147
Other long-term loans		4,722	4,722	33	33
Short-term borrowing		88,929	88,929	82,187	82,187
<b>Total Borrowing</b>		<b>664,061</b>	<b>531,348</b>	<b>710,805</b>	<b>542,269</b>
Other Liabilities		109,813	93,508	99,153	99,153
<b>Total Liabilities</b>		<b>773,874</b>	<b>624,856</b>	<b>809,958</b>	<b>641,422</b>

## 18.2 Equity Instruments Designated to Fair Value through Profit or Loss

The Council has investments made through the CCLA and other pooled funds. Currently under IFRS 9, the CIPFA code now requires that pooled funds are measured at Fair Value through Profit or Loss with override arrangements being in place to 31 March 2024. Following the recent 2025 Local Government Finance Settlement consultation, transitional arrangements have been implemented. As these investments were held by the Council before 1 April 2024, the override will continue to apply to these investments until 1 April 2029 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	
	2023/24	2024/25
	£000	£000
<b>Net Gains/Losses on:</b>		
Financial assets measured at fair value through profit and loss	652	(1,183)
Interest rate swaps at fair value through profit and loss *	(1,573)	(3,027)
<b>Total Net (Gains)/Losses on Financial Instruments</b>	<b>(921)</b>	<b>(4,210)</b>
<b>Interest Revenue</b>		
Investment income from financial assets measured through profit and loss	(4,475)	(4,967)
Interest receivable from financial assets measured at amortised costs	(643)	(492)
<b>Total Interest Revenue</b>	<b>(5,118)</b>	<b>(5,459)</b>
<b>Total Income</b>	<b>(6,039)</b>	<b>(9,669)</b>
Interest expense	23,477	27,783
<b>Total Interest Expense</b>	<b>23,477</b>	<b>27,783</b>
<b>Net (Gain)/Loss for the Year</b>	<b>17,438</b>	<b>18,114</b>

\* 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:

- no significant change in the performance of the investee compared with budget
- 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 1 fair value is only derived from quoted prices in active markets for identical assets or liabilities, for example bond prices
- Level 2 fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, for example interest rates or yields for similar instruments
- Level 3 fair value is determined using unobservable inputs, for example 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 MHCLG Investment Guidance for Local Authorities. The guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy, together with its Treasury Management Practices, are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council

- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

### Credit Risk

Credit Risk arises from deposits with banks and financial institutions as well as credit exposures to the Council's customers.

Asset Type	Credit Risk Management	Estimation of Impairment Loss
Loans to other authorities	Guaranteed by statute.	No allowance required.
Banks and financial institutions	Deposits are restricted in line with Council's approved Treasury Strategy.	No historic or forecast losses.
Loans	All loans subject to internal risk appraisal, where appropriate guarantees and/or security is obtained in event of default.	No historic or forecast losses.
Other Debtors	Debtors are not subject to internal credit ratings and have been grouped for the purposes of calculating expected losses.	Expected credit losses (impairment) estimated based on age and type of debt.

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap, other contracts and equity prices when selecting commercial entities for investment.

A limit of £25m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in building societies there is a smaller limit of £10m applies. The Council also sets limits on investments in certain sectors.

The following table summarises the credit risk exposures of the Council's treasury management portfolio by credit rating and remaining time to maturity:

Credit Rating	31 March 2024		31 March 2025	
	Long-Term	Short-Term	Long-Term	Short-Term
	£000	£000	£000	£000
AAA	0	0	0	0
AA	0	22,500	0	35,375
A+	0	1,295	0	700
A	0	0	0	0
A-	0	0	0	0
Unrated	0	0	0	0
<b>Total</b>	<b>0</b>	<b>23,795</b>	<b>0</b>	<b>36,075</b>
Credit risk not applicable *	81,333	3,203	84,368	3,528
<b>Total Investments</b>	<b>81,333</b>	<b>26,998</b>	<b>84,368</b>	<b>39,603</b>

\* 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 2024		31 March 2025	
	£000	£000	£000	£000
Less than three months		40,159		13,959
Three months to one year		7,573		3,464
More than one year		7,262		7,648
<b>Total</b>		<b>54,994</b>		<b>25,071</b>

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. £31.290m cash collateral was held at 31 March 2025 (31 March 2024: £28.600m).

### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board (PWLB). As a result there is no significant risk that the Council will be unable to raise finance to meets its commitments.

It is however exposed to the risk that it will need to refinance a significant proportion of its short-term borrowing at a time of unfavourably high interest rates.

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

Loans Outstanding	31 March 2024	31 March 2025
	£000	£000
Public Works Loan Board	(486,831)	(555,165)
Market debt	(83,579)	(73,420)
Temporary borrowing	(87,596)	(82,128)
Other borrowing	(6,055)	(93)
Deferred liability (PFI)	(88,681)	(72,577)
Deferred liability (finance leases)	(1,294)	(6,782)
Other liabilities	(19,838)	(19,794)
Creditors	(59,076)	(58,386)
<b>Total</b>	<b>(832,950)</b>	<b>(868,345)</b>
Less than 1 year	(231,713)	(297,605)
Between 1 and 2 years	(46,280)	(48,861)
Between 2 and 5 years	(87,540)	(85,545)
Between 5 and 10 years	(63,133)	(56,615)
Between 10 and 20 years	(49,914)	(36,923)
Between 20 and 30 years	(9,544)	(11,811)
Between 30 and 40 years	(16,419)	(14,465)
Between 40 and 50 years	(290,220)	(298,299)
Over 50 years	(38,187)	(18,221)
<b>Total</b>	<b>(832,950)</b>	<b>(868,345)</b>

The Council has £54.m (2023/24: £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. There were four LOBO loans with call in dates in 2024/25, one which was called in before 1 April 2025, the Council has not accepted the new rate and agreed to repay the loan without penalty.

There were £220m loan arrangements covering the short-term borrowing in place at 31 March 2025, these were 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 2025/26 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 £220m 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 1.0% increase in the bank rate it will cost an additional £0.979m per year.

The Council has £54m (2023/24: £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 fair value of this fund is £21.188m and is estimated as the price the authority would receive if it were to sell to another market investor on 31 March based on the fund’s published bid price. A 5% fall in commercial property prices would result in a £0.889m 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 £27.276m. A 1% fall in share prices would result in a £0.200m 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 2024	31 March 2025
	£000	£000
Central government departments	8,924	24,285
NHS bodies	2,617	5,258
Other local authorities	5,361	7,328
Other entities and individuals	92,478	59,619
<b>Total Short-Term Debtors</b>	<b>109,380</b>	<b>96,490</b>

## 19.2 Long-Term Debtors

Long-Term Debtors by Category	31 March 2024	31 March 2025
	£000	£000
Secured debt	1,131	1,170
Other loans/mortgages	8,566	8,417
Other long-term debts	552	2,007
<b>Total Long-Term Debtors</b>	<b>10,249</b>	<b>11,594</b>

## 19.3 Bad Debt Provision

Analysis of Bad Debt Provision Held	31 March 2024	Provisions Made in Year	Provisions Used in Year	31 March 2025
	£000	£000	£000	£000
General fund	(4,844)	(720)	743	(4,821)
Housing benefit overpayments provision	(5,134)	0	504	(4,630)
Collection fund	(8,691)	(2,432)	577	(10,546)
<b>Total Provisions for Bad Debt</b>	<b>(18,669)</b>	<b>(3,152)</b>	<b>1,824</b>	<b>(19,997)</b>

## 20 Creditors

### 20.1 Short-Term Creditors

Short-Term Creditors by Category	31 March 2024	31 March 2025
	£000	£000
Central government departments	(6,181)	(5,781)
NHS bodies	(483)	(2,394)
Other local authorities	(2,185)	(6,486)
Other entities and individuals	(106,547)	(106,957)
<b>Total Short-Term Creditors</b>	<b>(115,396)</b>	<b>(121,618)</b>

### 20.2 Long-Term Creditors

Long-Term Creditors by Category	31 March 2024	31 March 2025
	£000	£000
Other local authorities	(9,171)	(8,033)
Other entities and individuals	(205)	(213)
<b>Total Long-Term Creditors</b>	<b>(9,376)</b>	<b>(8,246)</b>

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 2024	31 March 2025
	£000	£000
PFI finance leases	(84,233)	(68,500)
Other finance leases	(1,228)	(6,358)
Cornwall Council - Tamar Bridge and Torpoint Ferry Joint Committee	(18,100)	(17,970)
<b>Total Other Long-Term Liabilities</b>	<b>(103,561)</b>	<b>(92,828)</b>

## 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 2024	Provisions Made in Year	Provisions Used in Year	Unused Amounts Reversed in Year	31 March 2025
	£000	£000	£000	£000	£000
Insurance provision	(4,741)	(2,316)	2,212	0	(4,845)
Landfill site provision	(6,524)	0	391	263	(5,870)
Business rates appeals provision	(4,747)	(5,417)	6,871	0	(3,293)
<b>Total Provisions</b>	<b>(16,012)</b>	<b>(7,733)</b>	<b>9,474</b>	<b>263</b>	<b>(14,008)</b>

The provisions include short-term provisions of £5.060m (2023/24: £6.626m) and long-term provisions of £8.950m (2023/24: £9.388m).

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 £5.870m as at 31 March 2025 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 43 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 2024	31 March 2025
		£000	£000
<b>Unusable Reserves:</b>			
Revaluation Reserve	<u>22.1</u>	333,967	378,263
Capital Adjustment Account	<u>22.2</u>	171,753	125,980
Financial Instruments Adjustments Account	<u>22.3</u>	(24,194)	(23,572)
Pensions Reserve	<u>22.4</u>	(73,542)	(75,575)
Collection Fund Adjustment Account	<u>22.5</u>	2,208	(1,047)
Accumulating Compensated Absences Adjustment Account		(2,131)	(3,369)
Deferred Capital Receipts		280	316
Pooled Investment Fund Adjustment Account		(2,743)	(1,560)
DSG Adjustment Account	<u>22.6</u>	(4,253)	(18,498)
<b>Total Unusable Reserves</b>		<b>401,345</b>	<b>380,938</b>

## 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
- disposed of and the gains are realised.

The Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

The following table details the transactions posted to the account for the period:

Movement in Revaluation Reserve	2023/24	2024/25
	£000	£000
<b>Balance at 1 April</b>	<b>326,867</b>	<b>333,967</b>
Upward revaluation of assets	42,615	66,681
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the Provision of Services	(7,110)	(11,946)
<b>Surplus or (Deficit) on the Revaluation of Non-current Assets Not Posted to the (Surplus) or Deficit on the Provision of Services</b>	<b>35,505</b>	<b>54,735</b>
Release of Investment Property Balance	(323)	0
Difference between fair value depreciation and historical cost depreciation	(9,728)	(9,768)
Accumulated gains on assets sold or scrapped	(18,354)	(671)
<b>Amount Written Off to the Capital Adjustment Account</b>	<b>(28,405)</b>	<b>(10,439)</b>
<b>Balance at 31 March</b>	<b>333,967</b>	<b>378,263</b>

## 22.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations. These are then charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

The following table shows the transactions posted to the account during the year:

Movement in Capital Adjustment Account	2023/24	2024/25
	£000	£000
<b>Balance at 1 April</b>	<b>122,567</b>	<b>171,753</b>
Release of Investment Property balance in the Revaluation Reserve	323	0
<b>Reversal of Items Relating to Capital Expenditure Debited or Credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non-current assets	(44,754)	(45,647)
Revaluation losses on Property, Plant and Equipment	18,802	(18,401)
Revenue expenditure funded from capital under statute	(23,193)	(32,466)
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	(21,510)	(5,141)
Adjusting amounts written out of the Revaluation Reserve	28,082	10,439
<b>Capital Financing Applied in the Year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	6,348	4,375
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	79,044	21,264
<b>Amounts Reserved for Future Capital Funding:</b>		
Statutory provision for the financing of capital investment charged against the General Fund (includes TBTF element)	19,182	21,839
Capital expenditure charged against General Fund	273	466
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(12,946)	(3,151)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	(539)
<b>Other Movement on the CAA in Year:</b>		
Landfill Site Provision	56	263
Write down of long-term debtors	(2,845)	(1,398)
Deferred credit - Energy from Waste	2,324	2,324
<b>Balance at 31 March</b>	<b>171,753</b>	<b>125,980</b>

## 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 2024/25 two LOBO loans totalling £10m were called in by the lender and the Council took the decision to repay the loans without penalty. 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	2023/24	2024/25
	£000	£000
<b>Balance at 1 April</b>	(24,814)	(24,194)
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	76	78
<b>Balance at 31 March</b>	(24,194)	(23,572)

## 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	2023/24	2024/25
	£000	£000
<b>Balance at 1 April</b>	(37,487)	(73,542)
Opening balance adjustment	(324)	0
Actuarial gains or losses on pensions assets and liabilities	(42,948)	(4,252)
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	(12,602)	(19,493)
Employer's pensions contributions and direct payments to pensioners payable in the year	18,968	20,574
(Increase)/decrease in Plymouth's share of next deficit in year of Devon County Council Pension Fund	851	1,138
<b>Balance at 31 March</b>	(73,542)	(75,575)

## 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	2023/24	2024/25
	£000	£000
<b>Balance at 1 April</b>	(7,814)	(2,208)
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	5,606	3,256
<b>Balance at 31 March</b>	(2,208)	1,048

## 22.6 Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools budget. Where the council has incurred a deficit on its schools budget in years beginning 1 April 2020 ending 31 March 2026, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

Dedicated Schools Grant Adjustment Account	2023/24	2024/25
	£000	£000
<b>Balance 1 April</b>	0	(4,253)
School budget deficit transferred from General Fund in accordance with statutory requirements	(4,253)	(14,245)
<b>Balance at 31 March</b>	(4,253)	(18,498)

The centrally held elements of the DSG were over budget by £14.245m, due to significant increases in numbers and cost of placements for children with SEND, which is funded from the High Needs Block within the DSG. This overspend will be carried forward along with the accumulated deficit on the DSG of £4.253m (first reported in 2023/24) giving a total overspend to be carried forward of £18.498m. In line with Government guidance, any overspend is carried forward for recovery against future DSG funding. Therefore, the authority cannot fund this pressure from its own General Fund revenue budget (unless permission is given by the Secretary of State to disregard the requirement to fund from the DSG). This treatment is in line with Government guidance stating that DSG in-year and cumulative deficits should no longer be held as a negative earmarked reserve and should instead be held in an unusable reserve called the Dedicated Schools Grant Adjustment Account. This accounting treatment has the effect of separating DSG budget deficits from the LA's General Fund and covers the period to 31st March 2026. The government has announced plans to include working with local authorities to manage their SEND system including DSG deficits, alongside an extension to the DSG Statutory Override until the end of 2027/28.

## 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	2023/24	2024/25
	£000	£000
<b>Net Surplus/(Deficit) on the Provision of Services</b>	<b>20,311</b>	<b>(91,417)</b>
<b>Adjust Net Surplus/(Deficit) on the Provision of Services for Non-Cash Movements:</b>		
Charges for depreciation and impairment of non-current assets	44,754	46,458
Revaluation losses on Property, Plant and Equipment	(18,802)	17,591
Adjustment for movements in fair value of investments classified as fair value through profit and loss	(867)	(4,210)
(Increase)/decrease in interest creditors	2,856	(5,453)
(Increase)/decrease in creditors	(15,819)	(57,805)
(Increase)/decrease in interest and dividend debtors	(287)	0
(Increase)/decrease in debtors	(51,617)	24,155
(Increase)/decrease in inventories	(374)	(9)
Pension liability	(7,216)	(2,219)
Contributions to/(from) Provisions	(1,263)	(2,003)
Movement on the Dedicated Schools Grant Adjustment Account	(4,253)	(14,245)
Carrying amount of short-term and long-term investments sold or derecognised	21,516	4,469
Movement in Investment Property values	12,946	3,151
<b>Total</b>	<b>(18,426)</b>	<b>9,880</b>
<b>Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing or Financing Activities</b>		
Capital grants credited to surplus/(deficit) on the Provision of Services	(80,211)	(19,232)
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,190)	(3,647)
Repayments or capital grants given in previous years and loans	0	(52)
<b>Total</b>	<b>(81,401)</b>	<b>(21,756)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>(79,516)</b>	<b>(103,293)</b>

The cash flows for operating activities include the following items:

Analysis of Interest Paid and Received	2023/24	2024/25
	£000	£000
Interest received	4,677	5,464
Interest paid	(26,636)	(32,067)

### 23.2 Cash Flow Statement – Investing Activities

Analysis of Investing Activities	2023/24	2024/25
	£000	£000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(64,721)	(68,041)
Purchase of short-term and long-term investments	0	0
Other payments for Investing Activities	(5,642)	59,520
Proceeds from the sale of Property, Plant and Equipment, Investment Properties and Intangible Assets	1,195	3,611
Other Receipts from Investing Activities	37,356	69,722
<b>Net Cash Flows from Investing Activities</b>	<b>(31,812)</b>	<b>64,812</b>

### 23.3 Cash Flow Statement – Financing Activities

Analysis of Financing Activities	2023/24	2024/25
	£000	£000
Cash receipts of short-term and long-term borrowing	291,730	273,120
Billing Authorities - Council Tax and NDR adjustments	11,840	(5,761)
Repayment of short-term and long-term borrowing	(195,672)	(220,968)
Other receipts from financing activities	4,542	20,865
Payments for the reduction of a PFI liability	(4,296)	(16,170)
<b>Net Cash Flows from Financing Activities</b>	<b>108,144</b>	<b>51,086</b>

### 23.4 Cash Flow Statement – Cash and Cash Equivalents

Analysis of Cash and Cash Equivalents	2023/24	2024/25
	£000	£000
Cash and bank balances	1,890	2,239
Cash Investments - regarded as cash equivalents	23,795	36,075
Tamar Bridge and Torpoint Ferry	1,313	1,289
<b>Net Cash Flows from Cash and Cash Equivalents</b>	<b>26,998</b>	<b>39,603</b>

### 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 through to 2024/25. This decision will be reviewed for 2025/26.

Pooled Budget - Integrated Fund	2023/24	2024/25
	£000	£000
<b>Contribution to the Pooled Budget:</b>		
Plymouth City Council's contribution:		
Pooled	215,968	246,692
Aligned	69,514	77,974
<b>Total Plymouth City Council</b>	<b>285,482</b>	<b>324,666</b>
NHS Devon ICB's contribution:		
Pooled	164,583	208,417
Aligned	321,515	362,870
<b>Total NHS Devon ICB</b>	<b>486,098</b>	<b>571,287</b>
<b>Total Combined Integrated Fund</b>	<b>771,580</b>	<b>895,953</b>
<b>Expenditure Met from the Pooled Budget:</b>		
Plymouth City Council	300,284	328,418
NHS Devon ICB	491,390	574,112
<b>Total Expenditure on Integrated Fund</b>	<b>791,674</b>	<b>902,530</b>
<b>Net (Surplus)/Deficit on the Integrated Fund During the Year</b>	<b>20,094</b>	<b>6,577</b>

The figures above include amounts of the Plymouth Better Care Fund, of whom the lead commissioners are:

Plymouth Better Care Fund	2023/24	2024/25
	£000	£000
NHS Devon ICB Lead Commissioner	14,791	15,633
Plymouth City Council Lead Commissioner	8,601	9,087
<b>Total Plymouth Better Care Fund</b>	<b>23,392</b>	<b>24,720</b>

## 25 Members' Allowances

Allowances paid to Members of the Council in 2024/25 totalled £1.189m (2023/24: £1.156m). These figures include Members' allowances and expenses. Further information can be found on the Council's website.

## 26 Officers' Remuneration

### 26.1 Senior Employees

Senior employees earning £50,000 or more per annum who have responsibility for the management of the Council or power to directly control the major activities of the Council are required to be listed by way of job title within the accounts. Where an employee's remuneration exceeds £150,000 there is an additional requirement that they are identified by name. Plymouth defines relevant senior staff as members of the Corporate Management Team (Directors) and Departmental Management Teams (Service Directors).

Senior Management Post	Financial Year	Salaries, Fees and Allowances*	Pension Contributions	Total Remuneration	Notes
<b>Salary over £150,000</b>		£	£	£	
Tracey Lee - Chief Executive (Head of Paid Service)	2024/25	231,133	36,709	267,842	Includes election duty payments as the Returning Officer.
	2023/24	184,773	32,356	217,129	Includes election duty payments as the Returning Officer.
David Haley - Director of Children's Services	2024/25	168,596	31,920	200,516	Includes election duty payments.
	2023/24	105,934	19,323	125,257	A new post holder commenced on 27 December 2023. A post holder commenced on 31 July 2023 until 26 December 2023 via an Agency <sup>†</sup> . Previous post holder left the authority on 1 September 2023.
<b>Salary over £50,000 but less than £150,000</b>					
Assistant Chief Executive	2024/25	82,738	13,262	96,000	Post holder left the authority on 31 October 2024. Includes election duty payments as the Deputy Returning Officer.
	2023/24	119,975	21,295	141,270	Includes election duty payments as the Deputy Returning Officer.
Director of Public Health	2024/25	39,849	7,571	47,420	A new post holder commenced on 16 December 2024.
	2024/25	85,796	12,337	98,133	Post holder left the authority 15 December 2024.
	2023/24	118,394	17,025	135,419	
Chief Operating Officer for Customer and Corporate Services (Previously Director of Resources)	2024/25	0	0	0	Post covered via an Agency from 7 October 2024 <sup>†</sup> .
	2023/24	47,264	1,768	49,032	Post vacant. Post holder left the authority on 28 April 2023. Includes election duty payments.

Senior Management Post	Financial Year	Salaries, Fees and Allowances*	Pension Contributions	Total Remuneration	Notes
		£	£	£	
Strategic Director for Adults Health and Communities (Previously Strategic Director for People).	2024/25	81,477	15,481	96,958	A new post holder commenced on 2 September 2024.
	2023/24	141,698	22,327	164,025	Post holder left the authority on 16 February 2024. Includes election duty payments.
Strategic Director for Growth (Previously Strategic Director for Place)	2024/25	55,825	0	55,825	A new post holder commenced on 2 September 2024 and left the authority on 28 February 2025.
	2024/25	66,340	13,039	79,379	Post holder left the authority on 22 September 2024.
	2023/24	137,394	25,555	162,949	
Service Director for Children, Young People and Families	2024/25	84,904	16,132	101,036	A new post holder commenced on 17 June 2024. Post covered via an Agency until 8 July 2024 <sup>†</sup> .
	2023/24	31,976	0	31,976	A new post holder commenced on 17 July 2023 via an Agency <sup>†</sup> . Previous post holder left the authority on 23 July 2023.
Service Director for Community Connections	2024/25	84,873	17,676	102,549	Includes election duty payments.
	2023/24	82,095	17,053	99,148	Includes election duty payments.
Service Director for Digital and Customer Experience	2024/25	0	0	0	Post vacant.
	2023/24	0	0	0	Post vacant.
Service Director for Economic Development	2024/25	105,105	24,707	129,812	Includes election duty payments.
	2023/24	107,257	20,146	127,403	
Service Director for Education, Participation and Skills	2024/25	98,511	18,717	117,228	Post covered via an Agency from 10 February 2025 <sup>†</sup> . Post holder left the authority on 31 January 2025.
	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 <sup>†</sup> .
Service Director for Finance (Section 151 Officer)	2024/25	309	59	368	A new post holder commenced on 31 March 2025.
	2024/25	122,156	22,461	144,617	Previous post holder left the authority on 31 March 2025.
	2023/24	108,299	20,089	128,388	Includes election duty payments.

Senior Management Post	Financial Year	Salaries, Fees and Allowances*	Pension Contributions	Total Remuneration	Notes
Service Director for Human Resources and Organisational Development	2024/25	118,424	22,461	140,885	Includes election duty payments.
	2023/24	76,235	12,544	88,779	A new post holder commenced on 16 November 2023. A new post holder commenced on 23 July 2023 until 26 November 2023 via an Agency <sup>†</sup> . Previous post holder left the authority on 26 June 2023. Includes election duty payments.
Service Director for Integrated Commissioning	2024/25	60,440	13,267	73,707	A new post holder commenced on 9 July 2024.
	2023/24	0	0	0	Post vacant.
Service Director for Strategic Planning and Infrastructure	2024/25	111,019	21,094	132,113	
	2023/24	111,369	20,727	132,096	
Service Director for Street Services	2024/25	107,449	20,358	127,807	Includes election duty payments.
	2023/24	104,787	19,444	124,231	Includes election duty payments.
Consultant in Public Health	2024/25	84,881	12,021	96,902	
	2023/24	83,793	11,728	95,521	
Consultant in Public Health	2024/25	22,245	3,199	25,444	A new post holder commenced on 16 December 2024.
	2024/25	19,919	2,360	22,279	Post holder left the authority in May 2024.
	2023/24	96,075	13,816	109,891	
Consultant in Public Health	2024/25	44,084	6,339	50,423	A new post holder commenced in October 2024.
	2023/24	0	0	0	Post vacant.
Consultant in Public Health	2024/25	74,895	10,770	85,665	A new post holder commenced in May 2024.
	2023/24	0	0	0	Post vacant.
Service Director for Legal (Monitoring Officer)	2024/25	103,186	19,525	122,711	Includes election duty payments.
	2023/24	94,412	17,537	111,949	A new post holder commenced on 4 March 2024. Post holder covering on acting up allowance from 7 August 2023 until 10 March 2024. Post holder left the authority on 6 August 2023.

\* Salaries, Fees and Allowances exclude immaterial expenses such as travel and subsistence.

<sup>†</sup> Fees paid in respect of individuals engaged on an interim basis via an Agency.

## External Agency Staff

The Council secured services from various individuals on an interim basis during 2024/25. The amounts disclosed below in respect of these posts are the costs incurred by the Council to the Agency and are not the amounts individuals actually received which would have been lower:

- Chief Operating Officer for Customer and Corporate Services - from 7 October 2024 to 31 March 2025 was £155,984
- Service Director for Children, Young People and Families - from 1 April 2024 to 8 July 2024 was £80,003
- Service Director for Education, Participation and Skills - from 10 February 2025 to 31 March 2025 was £32,195.

## Election Fees

The allowances for 2024/25 cover one local election, one Police and Crime Commissioner election and one national election.

The allowances for 2023/24 cover one local election and two 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	2023/24		2024/25	
	Schools	Non-schools	Schools	Non-schools
£50,000 - £54,999	17	78	40	69
£55,000 - £59,999	11	36	24	64
£60,000 - £64,999	2	18	12	28
£65,000 - £69,999	3	17	7	17
£70,000 - £74,999	4	10	2	8
£75,000 - £79,999	1	3	5	2
£80,000 - £84,999	0	3	2	6
£85,000 - £89,999	2	3	1	4
£90,000 - £94,999	2	1	2	2
£95,000 - £99,999	2	1	0	1
£100,000 - £104,999	0	0	2	0
£105,000 - £109,999	0	0	1	0
£110,000 - £114,999	0	0	1	0
£115,000 - £119,999	0	0	0	0
£120,000 - £124,999	1	1	0	0
£125,000 - £129,999	0	0	1	0
<b>Total</b>	<b>45</b>	<b>171</b>	<b>100</b>	<b>201</b>

### 26.3 Employee Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Banding	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
£00,001 - £20,000	2	2	11	5	13	7	102	88
£20,001 - £40,000	1	0	1	0	2	0	58	0
£40,001 - £60,000	1	0	1	0	2	0	89	0
£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	1	0	0	0	1	0	108	0
<b>Total</b>	<b>5</b>	<b>2</b>	<b>13</b>	<b>5</b>	<b>18</b>	<b>7</b>	<b>357</b>	<b>88</b>

The Council terminated the contracts of a number of employees in 2024/25, including school-based staff, incurring liabilities of £0.088m (2023/24: £0.383m). The Council's expenditure on schools is primarily funded from the Dedicated Schools Grant provided by the Department of Education.

### 27 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

Analysis of External Audit Costs	2023/24	2024/25
	£000	£000
Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor for the year	393	427
Fees payable in respect of other services provided by Grant Thornton LLP during the year	73	48
<b>Total External Auditor Costs</b>	<b>466</b>	<b>475</b>

### 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 2024. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are as follows:

Analysis of Dedicated Schools Grant	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2024/25 before academy and high needs recoupment			283,685
Academy and high needs figure recouped for 2024/25			190,460
<b>Total DSG After Academy and High Needs Recoupment for 2024/25</b>			<b>93,225</b>
Plus: Brought forward from 2023/24			0
Less: Carry-forward to 2025/26 agreed in advance			0
Agreed initial budgeted distribution in 2024/25	33,072	60,152	93,224
In year adjustments	(443)	0	(443)
<b>Final Budgeted Distribution for 2024/25</b>	<b>32,629</b>	<b>60,152</b>	<b>92,781</b>
Less: Actual central expenditure	31,383		31,383
Less: Actual ISB deployed to schools		75,643	75,643
Plus: Local authority contribution	0	0	0
<b>In-Year Carry-Forward to 2025/26</b>	<b>1,246</b>	<b>(15,491)</b>	<b>(14,245)</b>
Plus: Carry-forward to 2025/26 agreed in advance			0
<b>Carry-Forward to 2025/26</b>			<b>0</b>
DSG unusable reserve at the end of 2023/24			(4,253)
Addition to DSG unusable reserve at the end of 2024/25			(14,245)
<b>Total of DSG Unusable Reserve at the End of 2024/25</b>			<b>(18,498)</b>
<b>Net DSG Position at the End of 2024/25</b>			<b>(18,498)</b>

Please see the Dedicated Schools Grant Adjustment Account note [22.6](#) for more information.

## 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	2023/24	2024/25
	£000	£000
Section 31 grants	(18,078)	(21,347)
Capital grants and contributions	(66,268)	4,022
PFI credits	(6,948)	(7,428)
Revenue Support Grant	(11,562)	(12,328)
<b>Total</b>	<b>(102,856)</b>	<b>(37,081)</b>

Grants Credited to Services	2023/24	2024/25
	£000	£000
Benefits Admin Grant	0	(874)
Dedicated Schools Grant and Other Education Grants	(83,575)	(95,920)
Housing Benefit Subsidy	(56,375)	(57,037)
Learning and Skills Council	(2,440)	(3,110)
Improved Better Care Fund	(12,933)	(12,933)
Transforming Social Care Grant	(21,707)	(28,508)
New Homes Bonus	(22)	(43)
Public Health Grant	(16,460)	(16,876)
Troubled Families Grant	(1,009)	(1,428)
Arts Council	(529)	(314)
Department of Health Grant	(242)	(324)
Household Support Grant	(4,590)	(5,167)
Market Sustainability Fair Costs of Care	(3,007)	(5,618)
New Burdens - Breathing Space	(2,359)	(407)
Universal Grant - Drug Treatment	(1,884)	(2,997)
Other Revenue Grants	(45,326)	(55,904)
<b>Total</b>	<b>(252,458)</b>	<b>(287,460)</b>

## 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	2023/24	2024/25
	£000	£000
Afghan Citizens Resettlement Scheme	597	1,703
Bus Service Improvement Plan	712	563
D2 Grids	443	172
Domestic Abuse Bill preparation	765	0
Homes for Ukraine	1,222	915
Nature Based Solutions	518	0
RegEnergy	434	432
Section 256 Revenue Grant (SARC)	608	373
Sub-National Transport Body	485	542
Other	4,046	3,893
<b>Total</b>	<b>9,830</b>	<b>8,593</b>

Capital Grant Receipts in Advance - Current Liabilities	2023/24	2024/25
	£000	£000
Department for Transport	46,324	66,230
Department for Environment Food & Rural Affairs	3,398	11,143
Department for Digital, Culture, Media and Sport	2,063	4,367
Football Foundation	0	195
Growth Deal (LEP)	6,080	6,080
Get Building Fund (LEP)	4,087	4,087
Department for Levelling Up, Housing & Communities	23,685	42,599
European Regional Development Funding	0	448
Department for Business, Energy & Industrial Strategy	2,452	5,371
Department for Education	435	435
Heritage Lottery Fund	0	844
Warm Homes Fund	1,060	0
Heatnet	1,000	0
NHS England	580	0
Other	936	317
<b>Total</b>	<b>92,100</b>	<b>142,116</b>

## 29.2 Long-Term Liabilities

Capital Grant Receipts in Advance - Long-Term Liabilities	2023/24	2024/25
	£000	£000
Department for Transport	7,596	17,929
Heritage Lottery Fund	12	0
S106	11,310	11,802
Growth Deal	4,694	4,694
Department for Levelling Up, Homes & Communities	4,800	4,800
<b>Total</b>	<b>28,412</b>	<b>39,225</b>

## 30 Related Parties

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

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

Related Party Transactions	Details of Arrangement	2023/24			2024/25		
		Receipts	Payments	Outstanding Balances/ Commitments	Receipts	Payments	Outstanding Balances/ Commitments
<b>Subsidiaries, Associates and Joint Arrangements</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Subsidiaries</b>							
@ PlymouthCare Ltd	@PlymouthCare was incorporated on the 10 June 2021. The company is a wholly owned subsidiary of the Council and was created to help people remain as independent in their own home, by providing support and care services for people.	(19)	419	357	(7)	522	479
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.	(11)	832	0	(11)	741	2,366
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.	(200)	1,254	(131)	(204)	1,038	58
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.	(164)	402	21	(142)	2,987	1,709
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.	(84)	0	0	(85)	0	0

Related Party Transactions	Details of Arrangement	2023/24			2024/25		
		Receipts	Payments	Outstanding Balances/ Commitments	Receipts	Payments	Outstanding Balances/ Commitments
	<b>Subsidiaries, Associates and Joint Arrangements - Continued</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Joint Arrangements</b>						
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.	(198)	11,298	1,197	(246)	12,337	391
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)	(68)	21	(1,977)

## 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 (for example Housing Benefits). Details of transactions with Government Departments are set out in note [29](#).

## Members

Members of the Council have direct control over the Council's financial and operating policies.

The total of members allowances paid in 2024/25 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 2024/25 17 officers were company directors or board members on behalf of the Council. For 2024/25, there are no material transactions for services to organisations in which officers have declared interests.

## Other Public Bodies

The Council has a pooled budget arrangement with NHS Devon Integrated Care Board (NHS Devon ICB) for the provision of care services. Further details of the arrangement, the transactions and balances outstanding are detailed in note [24](#).

## Other Interests in Companies

There are a number of companies which are also linked to the Council which fall under the definition of an assisted organisation. This includes the provision of financial assistance to voluntary organisations. However they are not considered material in financial terms. Examples include Access Plymouth Ltd, Plymouth Citizens Advice Bureau and the Shekinah Mission (Plymouth) Limited. Independent Futures and the Plymouth City Centre Company Limited are examples of larger organisations supported by the Council.

### ▪ **DELT Shared Services Limited**

DELT was launched 1 October 2014 and is a publicly owned private limited company (09098450). It was set up to deliver ICT services and systems to its partners; Plymouth City Council and NHS Devon ICB.

DELT is jointly and equally controlled by its partners with both partners carrying equal full voting rights. The collaborative arrangement is classed as a joint venture.

For more information about DELT and its financial performance, please visit the DELT Services website.

- **CATERed Limited**

CATERed is a cooperative trading company (09355912) which is jointly owned by Plymouth City Council and 67 local schools, providing all school meals in the city. CATERed is 49 per cent owned by schools and 51 per cent by the Council and serves almost 2.5 million meals to Plymouth school children every year.

Plymouth City Council is the majority shareholder of CATERed with 51 per cent of shares and voting rights allocated one vote per share. The collaborative arrangement is classed as a subsidiary of the Council.

For more information about CATERed and its financial performance, please visit the CATERed website.

- **Arca (Plymouth) Limited**

Arca (Plymouth) 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 2024/25 was £0.330m (2023/24: £0.324m). The Council also pays DAP for Counter Fraud Services at a cost of £0.114m for 2024/25 (£0.228m for 2023/24).

- **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	2023/24	2024/25
	£000	£000
<b>Opening Capital Financing Requirement 1 April</b>	<b>816,483</b>	<b>807,746</b>
Adjustments to PFI liability arising from IFRS16 restatement	0	(10,985)
Adjustment to opening balance arising from the original recognition of the Energy from Waste PFI asset in 2015/16	0	0
<b>Total</b>	<b>816,483</b>	<b>796,761</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	71,129	79,240
Intangible Assets	0	405
Assets Held for Sale	25	141
Initial recognition of assets arising from IFRS 16 restatement	0	5,890
Revenue Expenditure Funded from Capital Under Statute	23,193	32,466
Other capital expenditure	735	769
<b>Total</b>	<b>95,082</b>	<b>118,911</b>
<b>Sources of Finance</b>		
Capital receipts	(6,348)	(4,375)
Other movements in Long-Term Debtors	637	1,398
Grants and contributions applied in year	(79,044)	(21,264)
Revenue and other funds	(273)	(466)
Minimum Revenue Provision	(19,182)	(21,840)
Use of landfill provision	391	391
<b>Total</b>	<b>(103,819)</b>	<b>(46,156)</b>
<b>Closing Capital Financing Requirement 31 March</b>	<b>807,746</b>	<b>869,516</b>
<b>Explanation of Movement in Year</b>		
Increase in underlying need to borrow	46,589	39,739
Increase in underlying need to borrow resulting from other changes in capital financing requirement	(55,326)	38,111
Recognition of leases arising from IFRS16 restatement	0	5,890
Adjustment arising from the IFRS16 PFI lease restatements	0	(10,985)
Adjustment arising from the original recognition of the Energy from Waste PFI asset in 2015/16	0	0
<b>Increase/Decrease in Capital Financing Requirement</b>	<b>(8,737)</b>	<b>72,755</b>

## 32 Leases

### 32.1 Change in Accounting Policies for Leases - Authority as Lessee

In 2024/25, the Council has changed its accounting policies to align with those in IFRS 16 Leases as adopted by the CIPFA Code of Practice on Local Authority Accounting. In previous years, property, plant and equipment was only brought onto the Balance Sheet as an asset where the Council secured substantially all the risks and rewards incidental to ownership of the leased item (finance leases). For all

other leases (operating leases), no assets were recognised and rents were charged as expenses when they became payable.

From 1 April 2024, an asset representing the right to use the item over the lease term will be recognised for all leases (except for those that are for low value items or whose term is less than one year).

Liabilities are also recognised in the Balance Sheet for the obligations that the Council has to pay rents for the rights acquired, discounted to their present value.

The transitional provisions of the Code are for the following amounts to be brought onto the Balance Sheet by adjusting the opening balances at 1 April 2024:

- liabilities for leases previously accounted for as operating leases, calculated as the present value of the remaining lease payments fixed at 1 April 2024, discounted by the Council's incremental borrowing rate at that date
- right-of-use assets for the leased items, measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the Balance Sheet on 31 March 2024.

The Council's lease contracts comprise leases of operational land and buildings, plant and equipment and motor vehicles.

### Right-of-Use Assets

The following table shows the change in the value of right-of-use assets held under leases by the Council:

Changes in Value of Right of Use Assets	Land & Buildings	Vehicles, Plant & Equipment	Total			
				£000	£000	£000
<b>Balance at 1 April</b>	0	0	0			
Additions	7,036	147	7,183			
Depreciation and amortisation	(420)	(33)	(453)			
<b>Balance at 31 March</b>	<b>6,616</b>	<b>114</b>	<b>6,730</b>			

### Transactions Under Leases

The Council incurred the following expenses and cash flows in relation to leases:

Analysis of Amounts Included in the Comprehensive Income and Expenditure Statement	2023/24	2024/25		
			£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
Interest expense on lease liabilities	0	363		
Expense relating to short-term leases	0	27		
Expense relating to exempt leases of low-value items	0	18		
<b>Cash Flow Statement</b>				
Minimum lease payments	0	401		

### Maturity Analysis of Lease Liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments):

Maturity Analysis of Lease Liabilities	2023/24	2024/25
	£000	£000
Less than one year	0	424
One to five years	0	1,770
More than five years	0	4,588
<b>Total Undiscounted Liabilities</b>	<b>0</b>	<b>6,782</b>

## 32.2 Authority as Lessor

The Council's leases out property and equipment under operating leases for the following purposes:

- For economic development purposes to provide suitable affordable accommodation for local businesses.

### Transactions Under Leases

The Council made the following gains and losses as a lessor during the year:

Transactions Under Leases Analysis	2023/24	2024/25
	£000	£000
<b>Operating Leases</b>		
Total lease income	332,996	308,852

### Maturity Analysis of Lease Receivables

The lease receivables are due to be collected over the following time bands (measured at the undiscounted amounts of expected cash receipts):

Maturity Analysis of Lessor Leases	Operating Leases	
	31 March 24	31 March 25
	£000	£000
Less than one year	17,774	17,354
One to two years	14,547	15,963
Two to three years	14,547	15,027
Three to four years	14,547	13,312
Four to five years	14,547	10,681
More than five years	257,034	236,515
<b>Total Undiscounted Receivables</b>	<b>332,996</b>	<b>308,852</b>

## 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 £6.614m was made in 2024/25 (2023/24: £6.332m).

Payments remaining to be made under the PFI contract at 31 March 2025, 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 2024/25	3,503	1,440	1,671	6,614
Payable in 2025/26	3,747	1,440	1,545	6,732
Payable within two to five years	14,889	7,208	4,833	26,930
Payable within six to ten years	12,181	9,044	1,779	23,004
<b>Total</b>	<b>30,817</b>	<b>17,692</b>	<b>8,157</b>	<b>56,666</b>

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	2023/24		2024/25
	£000	£000	
Balance outstanding 1 April	20,449	19,036	
Payments during the year	(1,413)	92	
<b>Opening Balances on 1 April Following Transition to IFRS16</b>	<b>19,036</b>	<b>19,128</b>	
Payments during the year	(1,413)	(1,440)	
Remeasurement	0	4	
<b>Balance Outstanding 31 March</b>	<b>17,623</b>	<b>17,692</b>	

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 contribution 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 2024/25	5,852	599	2,289	8,740
Payable in 2025/26	6,442	313	2,159	8,914
Payable within two to five years	26,671	1,437	8,413	36,521
Payable within six to ten years	31,944	7,372	8,379	47,695
Payable within eleven to fifteen years	31,986	10,908	3,573	46,467
<b>Total</b>	<b>97,043</b>	<b>20,030</b>	<b>22,524</b>	<b>139,597</b>

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	2023/24 Plymouth Share	2023/24 Deferred Income	2024/25 Plymouth Share	2024/25 Deferred Income
	£000	£000	£000	£000
Balance outstanding 1 April	32,964	39,502	32,465	37,178
Payments during the year	(498)	(2,324)	(11,077)	0
<b>Opening Balance on 1 April Following Transition to IFRS16</b>	<b>32,466</b>	<b>37,178</b>	<b>21,388</b>	<b>37,178</b>
Payments during the year	(498)	(2,324)	(599)	(2,323)
Remeasurement	0	0	(759)	0
<b>Balance Outstanding 31 March</b>	<b>31,968</b>	<b>34,854</b>	<b>20,030</b>	<b>34,855</b>

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 2024/25, Plymouth City Council paid £5.494m to Teachers' Pensions in respect of teachers' retirement benefits (2023/24: £4.624m). There were no contributions remaining payable at the year-end. In 2024/25 the minimum member contribution was 7.4 per cent of salary, the maximum was 11.7 per cent.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note [34.2](#).

### **34.2 Defined Benefit Pension Schemes**

#### **Local Government Pension Scheme (LGPS)**

Plymouth City Council and Tamar Bridge and Torpoint Ferry Joint Committee participate in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme with benefits earned up to 31 March 2014 being linked to final salary. Benefits earned after 31 March 2014 are based on Career Average Revalued Earnings (CARE). The Plymouth City Council scheme is administered by Devon County Council, however, the Joint Committee Scheme is administered by Cornwall Council and so separate notes have been included to represent Plymouth City Council's 50 per cent interest.

As a result of the High Court's recent Lloyds ruling on the equalisation of Guaranteed Minimum Pension (GMP), a number of pension schemes have made adjustments to accounting disclosures. On 23 March 2021, the Government published the outcome to its GMP indexation consultation, concluding that all public service pension schemes, including LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. This outcome is consistent with the approach adopted by the actuary and there are no adjustments to be made to the value placed on liabilities.

The McCloud/Sargeant cases relate to age discrimination within the Judicial and Fire Pension Schemes respectively. Regulations in respect of the McCloud and Sargeant judgements came into force on 1 October 2023. The estimated cost of the impact of the McCloud/Sargeant judgement was incorporated into the pension notes as at 31 March 2022, any changes to these costs in 2024/25 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	2023/24	2024/25
	£000	£000
<b>Cost of Services</b>		
Service cost comprising:		
current service cost	13,748	16,345
past service cost	119	0
(gain)/loss from settlements	(261)	(469)
<b>Financing and Investment Income and Expenditure</b>		
Net interest expense	(2,069)	2,569
<b>Other Operating Expenditure</b>		
Administration expenses	571	626
<b>Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>	<b>12,108</b>	<b>19,071</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
Re-measurement of the net defined benefit liability comprising:		
return on plan assets (excluding the amount included in the net interest expense)	(56,767)	11,945
actuarial gains and losses arising on changes in demographic assumptions	(12,778)	(2,357)
actuarial gains and losses arising on changes in financial assumptions	(19,142)	(117,990)
experience gain/(loss) on defined benefit obligation	2,453	(2,157)
changes in effect of asset ceiling	129,924	108,492
<b>Total Premeasurements Recognised in the Comprehensive Income and Expenditure Statement</b>	<b>43,690</b>	<b>(2,067)</b>
<b>Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>55,798</b>	<b>17,004</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(12,108)	(19,071)
<b>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</b>		
employers' contribution payable to the scheme	18,464	20,048
retirement benefits payable to pensioners	3,260	3,355
adjustment re: net increase/(decrease) per LGR pension liability	851	1,138

### 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.

2024/25	Scheme Assets	Pension Obligations	Effect of Asset Ceiling	Net Pensions (Liability) or Asset
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	<b>975,097</b>	<b>(909,435)</b>	<b>(129,924)</b>	<b>(64,262)</b>
Current service cost	0	(16,345)	0	(16,345)
Employee contributions	7,208	(7,208)	0	0
Past service cost and gains/losses on settlements	4,181	(3,712)	0	469
Interest Income and Expenses	47,941	(44,144)	(6,366)	(2,569)
Admin expenses	(626)	0	0	(626)
Remeasurements:				
actuarial gains/losses arising from changes in demographic assumptions	0	2,357	0	2,357
actuarial gains/losses arising from changes in financial assumptions	0	117,990	0	117,990
other actuarial gains and losses	(11,945)	2,157	0	(9,788)
change on the effect of the assets ceiling	0	0	(108,492)	(108,492)
Council employers contribution	20,048	0	0	20,048
Retirement grants and pensions	(47,226)	47,226	0	0
<b>Closing Balance at 31 March</b>	<b>994,678</b>	<b>(811,114)</b>	<b>(244,782)</b>	<b>(61,218)</b>

2023/24	Scheme Assets	Pension Obligations	Effect of Asset Ceiling	Net Pensions (Liability) or Asset
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	<b>891,135</b>	<b>(918,063)</b>	<b>0</b>	<b>(26,928)</b>
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
<b>Closing Balance at 31 March</b>	<b>975,097</b>	<b>(909,435)</b>	<b>(129,924)</b>	<b>(64,262)</b>

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 2025. Under this strategy, the Council has an obligation to fund a deficit of £61.218m.

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 £61.218m 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 2026 is £21.774m.

#### 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 2025.

Basis for Estimating Assets and Liabilities	2023/24	2024/25
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	21.5	21.4
women	22.7	22.7
Longevity at 65 for future pensioners:		
men	22.8	22.7
women	24.1	24.1
Rate of inflation (CPI)	2.90%	2.90%
Rate of increase in salaries	3.90%	3.90%
Rate of increase in pensions	2.90%	2.90%
Rate for discounting scheme liabilities	4.90%	5.80%

Impact on the Defined Benefit Obligation in the Scheme	Decrease in Assumption	No Change	Increase in Assumption
	£000	£000	£000
Longevity (increase or decrease in 1 year)	783,585	81,114	839,745
Rate of increase in salaries (increase or decrease by 0.1%)	810,341	811,114	811,894
Rate of increase in pensions (increase or decrease by 0.1%)	800,582	811,114	821,889
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	822,359	811,114	800,126

### 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	2023/24	2024/25
	%	%
Equities	56	55
Gilts	0	0
Property	18	19
Cash	2	2
Other investments	24	24
<b>Total</b>	<b>100</b>	<b>100</b>

### 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	2023/24	2024/25
	£000	£000
Present value of the defined benefit obligation	885,224	789,892
Fair value of plan assets	(975,097)	(994,678)
<b>Net Liability</b>	<b>(89,873)</b>	<b>(204,786)</b>
Other movements in the liability	24,211	21,222
Impact of Asset Ceiling	129,924	244,782
<b>Net Liability Arising from Defined Benefit Obligation</b>	<b>64,262</b>	<b>61,218</b>

### 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	2023/24	2024/25
	£000	£000
<b>Cost of Services</b>		
Service cost	455	420
<b>Financing and Investment Income and Expenditure</b>		
Net interest expense	40	3
<b>Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>	<b>495</b>	<b>423</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
Re-measurement of the net defined benefit liability comprising:		
return on plan assets (excluding the amount included in the net interest expense)	(247)	485
actuarial gains and losses arising on changes in demographic assumptions	(71)	(22)
actuarial gains and losses arising on changes in financial assumptions	(800)	(1,765)
experience gain/(loss) on defined benefit obligation	376	(110)
changes in effect of asset ceiling	0	7,731
<b>Total Premeasurements Recognised in the Comprehensive Income and Expenditure Statement</b>	<b>(742)</b>	<b>6,319</b>
<b>Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(247)</b>	<b>6,742</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(494)	(422)
<b>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</b>		
Employers' contribution payable to the scheme	504	526

**34.9 Assets and Liabilities in Relation to Post-Employment Benefits (TBTF)**

2024/25	Scheme Assets	Pension Obligations	Effect of Asset Ceiling	Net Pensions (Liability) or Asset
	£000	£000	£000	£000
<b>Opening Balance at 1 April</b>	<b>12,091</b>	<b>(12,200)</b>	<b>0</b>	<b>(110)</b>
Current service cost	0	(420)	0	(420)
Employee contributions	150	(150)	0	0
Interest income and expenses	591	(593)	0	(2)
Remeasurement				
actuarial gains/losses arising from changes in demographic assumptions	0	22	0	22
actuarial gains/losses arising from changes in financial assumptions	0	1,765	0	1,765
other actuarial gains and losses	(485)	110	0	(375)
change on the effect of the assets ceiling	0	0	(7,731)	(7,731)
Council employers contribution	526	0	0	526
Retirement grants and pensions	(494)	494	0	0
<b>Closing balance at 31 March</b>	<b>12,379</b>	<b>(10,972)</b>	<b>(7,731)</b>	<b>(6,325)</b>

2023/24	Scheme Assets	Pension Obligations	Effect of Asset Ceiling	Net Pensions (Liability) or Asset
	£000	£000	£000	£000
<b>Opening Balance at 1 April</b>	<b>11,573</b>	<b>(12,110)</b>	<b>0</b>	<b>(537)</b>
Adjustment to opening balance	(324)	0	0	(324)
Current service cost	0	(455)	0	(455)
Employee contributions	143	(143)	0	0
Interest income and expenses	536	(576)	0	(41)
Remeasurement				
actuarial gains/losses arising from changes in demographic assumptions	0	71	0	71
actuarial gains/losses arising from changes in financial assumptions	0	800	0	800
other actuarial gains and losses	248	(376)	0	(128)
Council employers contribution	504	0	0	504
Retirement grants and pensions	(589)	589	0	0
<b>Closing balance at 31 March</b>	<b>12,091</b>	<b>(12,200)</b>	<b>0</b>	<b>(110)</b>

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 asset of £1.406m 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 2026 is £0.526m.

### 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 2025.

### 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 2025.

Basis for Estimating Assets and Liabilities	2023/24	2024/25
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	19.6	19.5
women	21.7	21.7
Longevity at 65 for future pensioners:		
men	21.5	21.4
women	25.3	25.2
Rate of increase in salaries	2.75%	2.80%
Rate of increase in pensions	2.75%	2.80%
Rate for discounting scheme liabilities	4.85%	5.80%

## 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 a 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. Under the terms of the lease 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. In February 2024 the Council served Section 146 Notices on the Lessee.

### **35.2 Contingent Liabilities**

The Council has no known material contingent liabilities to report.

## COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2025

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.

2023/24				Note	2024/25		
Business Rates	Council Tax	Total			Business Rates	Council Tax	Total
£000	£000	£000	Income		£000	£000	£000
0	(160,460)	(160,460)	Council tax receivable	1	0	(169,369)	(169,369)
(86,183)	0	(86,183)	Business rates receivable	2	(84,022)	0	(84,022)
<b>(86,183)</b>	<b>(160,460)</b>	<b>(246,643)</b>			<b>(84,022)</b>	<b>(169,369)</b>	<b>(253,391)</b>
			<b>Expenditure</b>				
			<b>Apportionment of Previous Year's Surplus/ (Deficit)</b>				
4,748	0	4,748	Central Government		(809)	0	(809)
4,653	1,473	6,126	Plymouth City Council		(793)	1,916	1,123
0	222	222	Devon and Cornwall Police and Crime Commissioner		0	286	286
95	84	179	Devon and Somerset Fire and Rescue Service		(16)	106	90
<b>9,496</b>	<b>1,779</b>	<b>11,275</b>			<b>(1,618)</b>	<b>2,308</b>	<b>690</b>
			<b>Precepts, Demands and Shares</b>				
43,590	0	43,590	Central Government		44,685	0	44,685
42,719	131,300	174,019	Plymouth City Council		43,792	138,768	182,560
0	19,588	19,588	Devon and Cornwall Police and Crime Commissioner		0	20,694	20,694
872	7,249	8,121	Devon and Somerset Fire and Rescue Service		894	7,515	8,409
<b>87,181</b>	<b>158,137</b>	<b>245,318</b>			<b>89,371</b>	<b>166,977</b>	<b>256,348</b>
			<b>Charges to the Collection Fund</b>				
233	0	233	Renewable Energy Disregard		245	0	245
0	0	0	Designated Areas Disregard		26	0	26
133	443	576	Write offs of uncollectable amounts		154	605	759
213	1,565	1,778	Increase/(Decrease) in Bad Debt Provision		544	1,907	2,451
(2,584)	0	(2,584)	Increase/(Decrease) in Provision for Appeals		(2,968)	0	(2,968)
80	0	80	Interest paid on refunds to ratepayers		596	0	596
306	0	306	Cost of collection allowance		310	0	310
<b>(1,619)</b>	<b>2,008</b>	<b>389</b>			<b>(1,093)</b>	<b>2,512</b>	<b>1,419</b>
<b>8,875</b>	<b>1,464</b>	<b>10,339</b>	<b>(Surplus)/Deficit for the Year</b>		<b>2,638</b>	<b>2,428</b>	<b>5,066</b>
			<b>Collection Fund Balance</b>				
(8,383)	(4,536)	(12,919)	Balance as at 1 April		492	(3,072)	(2,580)
8,875	1,464	10,339	(Surplus)/Deficit for the year (as above)		2,638	2,428	5,066
<b>492</b>	<b>(3,072)</b>	<b>(2,580)</b>	<b>Balance as at 31 March</b>		<b>3,130</b>	<b>(644)</b>	<b>2,486</b>
			Allocated to:				
246	0	246	Central Government		1,565	0	1,565
241	(2,551)	(2,310)	Plymouth City Council		1,533	(535)	998
0	(381)	(381)	Devon and Cornwall Police and Crime Commissioner		0	(80)	(80)
5	(140)	(135)	Devon and Somerset Fire and Rescue Service		31	(29)	2
<b>492</b>	<b>(3,072)</b>	<b>(2,580)</b>	<b>Total Allocated</b>		<b>3,129</b>	<b>(644)</b>	<b>2,485</b>

## NOTES TO THE COLLECTION FUND

### 1 Council Tax Income

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based on an estimated 1 April 1991 value for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority and the City Council for the forthcoming year and dividing this by the Council Tax base. The tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and estimated collection rates: 75,389 in 2024/25 (2023/24: 74,891).

The basic amount of Council Tax for a Band D property (2024/25: £2,214.87) is multiplied by the proportion specified for the particular band to give an individual amount due. The calculation of the Council Tax Base is shown in the following table:

Band	No of Properties Before Discounts	No of Properties After Discounts	Band D Equivalents	Estimated Collection Rates	Adjusted Band D Equivalents
A	45,127	30,296	20,186	97.5%	19,681
B	31,953	26,079	20,284	97.5%	19,776
C	22,667	20,222	17,975	97.5%	17,525
D	9,538	8,787	8,787	97.5%	8,567
E	4,981	4,713	5,760	97.5%	5,616
F	1,847	1,758	2,540	97.5%	2,477
G	561	535	892	97.5%	870
H	30	23	46	97.5%	45
	<b>116,704</b>	<b>92,413</b>	<b>76,470</b>		<b>74,557</b>
Adjustment for MOD properties					832
<b>Tax Base Totals</b>			<b>76,470</b>		<b>75,389</b>

The Council Tax Base was calculated at the time the 2024/25 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 £166.977m (£2,214.87 x 75,389). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £169.369m (2023/24: £160.460m).

### 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, the standard multiplier was set at 54.6p for 2024/25 and the rate for properties in receipt of Small Business Rate Relief was kept at 49.9p.

The administration of NDR is governed by the Business Rates Retention Scheme which was introduced in 2013/14. This aims to give councils a greater incentive to grow businesses but also increases the financial risk due to volatility of the NDR tax base and non-collection of rates due. In the case of Plymouth, the retained proportion of NDR income is 49 per cent. The remainder is distributed to preceptors: 1 per cent to the Devon and Somerset Fire and Rescue Authority (DSFRA) and 50 per cent to Central Government.

The business rates shares payable for 2024/25 were estimated before the start of the financial year as £44.685m to Central Government, £0.894m to DSFRA and £43.792m to Plymouth City Council.

These sums have been paid during 2024/25 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 2024/25 Plymouth had a baseline amount of £63.250m and received a top-up of £16.191m 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 £58.506m. As our adjusted retained income is above this level no safety net payment was due to Plymouth for 2024/25.

Section 31 Grant funding for Business Rate reliefs awarded by Central Government in 2024/25 was £21.390m based on the original estimates made in January 2024. 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 2025 the Council included a provision of £6.720m.

For 2024/25, the total non-domestic rateable value at the end of the year was £241.429m (2023/24: £241.199m).

### 3 Precepts and Demands

#### 3.1 Council Tax

The budgets of the City Council, Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority are partly financed from the Council Tax. The sums required from Council Tax by the Council, Fire Authority and Police Commissioner are determined by each body as part of the budget process and are called demands (Council) and precepts (Fire and Police). The income from Council Tax payers is paid into the Collection Fund and payments are made from the Collection Fund for the demands and precepts due to the Council, Fire Authority and Police Commissioner.

#### 3.2 Non-Domestic Rates

As described previously in note [2](#), the administration of NDR is governed by the Business Rate Retention Scheme.

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PLYMOUTH CITY COUNCIL**

Please see Appendix D



Grant Thornton UK LLP  
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Bristol  
BS2 0EL

**David Northey**  
**Interim Service Director of Finance**  
Plymouth City Council  
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West Hoe Road  
Plymouth  
PL1 3BJ

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20 January 2026

Dear Grant Thornton UK LLP

**Plymouth City Council - Financial Statements for the year ended 31 March 2025**

This representation letter is provided in connection with the audit of the financial statements of Plymouth City Council ("the Authority") for the **year ended 31 March 2025** for the purpose of expressing an opinion as to whether the Authority 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 2024-25 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, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("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 Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority 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. During the year we evaluated our estimation process for right of use assets (due to changes in accounting standard IFRS 16) to align with accounting standard requirements. 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 International Accounting Standard 19 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 Authority has been assigned, pledged or mortgaged; and
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Authority and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the Authority'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 Authority 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 Authority to prepare its financial statements on the basis of the presumption set out under a) above; and

- c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements

- xiv. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

## Information Provided

- xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xvii. 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 2024-25 of 27 February 2026. The new National Audit Office Code of Audit Practice, 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 'backstop date'. It has not been possible to provide you with all the information required for you to complete your audit for the year ending 31 March 2025 by the backstop date. This includes the following:
  - a. providing you with:
    - i. access to all information of which we are aware that is relevant to the preparation of the group and Authority'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. unrestricted access to persons within the group and Authority 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 group and Authority, and involves:
    - iv. management;
    - v. employees who have significant roles in internal control; or
    - vi. 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**

xviii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority'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**

xix. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the Authority's financial statements.

**Approval**

The approval of this letter of representation was minuted by the Authority's **Audit and Governance Committee** at its meeting on **20 January 2026**.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Authority**

OFFICIAL

## Audit adjustments

### Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund
	£'000	£'000	£'000	£'000
Errors identified from testing of individual Investment Property assets (see pg 21)	(1,462)	1,462	(1,462)	1,462
Cash flows in relation to short term loan wrongly transferred from short term debtors to long term debtors (see pg 27)		Short term loan 1,298 Long term debtors (1,298)		1,298 (1,298)
Overstatement of depreciation expense (see pg 19)	1,965	(1,965)	1,965	(1,965)
Errors identified between the fixed asset register and the valuers report. (see pg 19)	SDPS (388) Revaluation reserve (1,945)	2,333	(388) (1,945)	2,333
We rely on the pension fund auditor to verify valuations at the pension fund. This work identified overstatements in level 2 and 3 investments and the adjustment represents the Authority's share (see pg 22)	6,077	(6,077)	6,077	(6,077)
Factual errors identified in testing of individual PPE assets (see pg 19)	(2,336)	2,336	(2,336)	2,336
Estimated extrapolated errors identified in testing of individual PPE assets (see pg 19)	(2,661)	2,661	(2,661)	2,661
<b>Overall impact of current year unadjusted misstatements</b>	<b>(750)</b>	<b>750</b>	<b>(750)</b>	<b>750</b>

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The Audit Findings | 44

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# ANNUAL GOVERNANCE STATEMENT 2024/2025



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## EXECUTIVE SUMMARY

### Overall Assessment

Plymouth City Council maintained effective governance arrangements throughout 2024/25, providing **reasonable assurance** over the conduct of its affairs and stewardship of public resources.

### Key Achievements 2024/25

- **CIPFA Assurance Review:** Overall positive assessment of financial position and governance arrangements, noting efficient financial management processes and strong budget ownership. All seven CIPFA recommendations completed.
- **Procurement Governance:** New organisational Procurement Strategy 2024-2026 approved incorporating national and local priorities whilst accounting for upcoming legislative changes including the Procurement Act 2023.
- **Constitutional Framework:** Refreshed Contract Standing Orders and rules of debate approved following comprehensive review. Legal implications sections added to committee and decision report templates.

### Assurance

The Head of Internal Audit, provided '**Reasonable Assurance**' on the adequacy and effectiveness of the Council's internal control framework, confirming sound systems of governance, risk management and control are in place.

Constructive engagement with Grant Thornton external auditors and government reviewers. The self-assessment undertaken demonstrated that the Audit and Governance Committee is operating effectively and in compliance with CIPFA guidance and regular reporting mechanisms ensure ongoing oversight.

### Areas Requiring Management Attention

Internal audit identified several areas receiving **Limited Assurance** opinions:

- **Adult Social Care:** Contract and performance monitoring conducted only on ad-hoc basis with no financial viability checks on providers. Weekly provider intelligence reports now implemented.

- **ASC Payment Systems:** Control failures that failed to prevent overpayments and client financial services resource pressures causing assessment backlogs.
- **Debt Management:** Issues with debt management processes and procurement compliance requiring strengthened arrangements.

### Armada Way Independent Learning

The Council has established an action plan for governance-related actions from the Armada Way Independent Learning Review, which was presented to City Council on 02 June 2025. The action plan will be tracked and monitored through a sub-group of the Audit and Governance Committee. Future actions include reviewing constitutional provisions and urgency decision-making processes to ensure alignment with the Council's values of openness and transparency.

### Priority Actions 2025/26

- Monitor effectiveness of management responses to Limited Assurance areas across adult social care and debt management
- Deliver Grant Thornton actions from Audits
- Deliver the detailed action plan set out in response to the Armada Way Independent Learning Review and Governance Review.
- Deliver next stage of Organisational Effectiveness – Change Programme

### Conclusion

The governance framework operated effectively during 2024/25, supporting achievement of objectives whilst ensuring appropriate stewardship of public resources. Where weaknesses were identified, management took appropriate action.

These arrangements provide **reasonable assurance** that the Council complies with its Code of Corporate Governance and meets the requirements of the Accounts and Audit Regulations 2015.

**Definition of Audit Assurance Opinion Level “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.

## SCOPE OF RESPONSIBILITY AND PURPOSE OF THE GOVERNANCE FRAMEWORK

### Scope

Plymouth City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, Plymouth City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Council's functions which includes arrangements for the management of risk.

This Annual Governance Statement explains how the Council has complied with the Code of Corporate Governance and also how it meets the requirements of Regulation 6(1) of the Local Government, England and Wales Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

### Purpose

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at Plymouth City Council for the year ending 31 March 2025 and up to the date of the approval of the Statement of Accounts.

## STATEMENT OF ASSURANCE AND CERTIFICATION

We propose over the coming year to take steps to address the matters described at page 37 onwards, to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



**Councillor Tudor Evans OBE**  
Leader of Plymouth City Council  
Dated: 06 August 2025



**Tracey Lee**  
Chief Executive  
Dated: 06 August 2025



**Ian Trisk-Grove**  
Service Director for Finance (Section 151 Officer)  
Dated: 06 August 2025

## THE CORPORATE PLAN

The Plymouth City Council Corporate Plan 2023-2026 sets out our mission to 'build a better Plymouth'. It was approved by Council in June 2023, and replaced the plan in place since 2021. The new Corporate Plan priorities will be delivered through specific programmes and projects which are coordinated and resourced through the Plymouth Plan, capital investment, directorate business and delivery plans. The Corporate Plan Performance Report is updated on a quarterly basis and presented to Corporate Management Team, Cabinet and Scrutiny committees.

### 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

#### WE WILL:

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

#### OUR PRIORITIES:

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

#### DOING THIS BY:

- Providing quality public services
- Trusting and engaging our communities
- Focusing on prevention and early intervention
- Spending money wisely
- Empowering and engaging our staff
- Being a strong voice for Plymouth

[www.plymouth.gov.uk/ourplan](http://www.plymouth.gov.uk/ourplan)

## THE ASSURANCE FRAMEWORK - THE THREE LINES OF DEFENCE

The Three Lines of Defence Assurance Model is used as the primary means to demonstrate and structure roles, responsibilities and accountabilities for decision making, risk and control to achieve effective governance and assurance. The diagram below shows the relationship between these functions:-

### First Line of Defence – Management Controls and Internal Control Measures

Line management are responsible for ensuring that a risk and control environment is established as part of day-to-day operations. Line management should be adequately skilled to create risk definitions and make risk assessments. The risk profile needs to be proactively reviewed, updated and modified for changes to the business environment and emerging risk changes. Active risk management and periodic reporting on risk is crucial to quick identification and response.

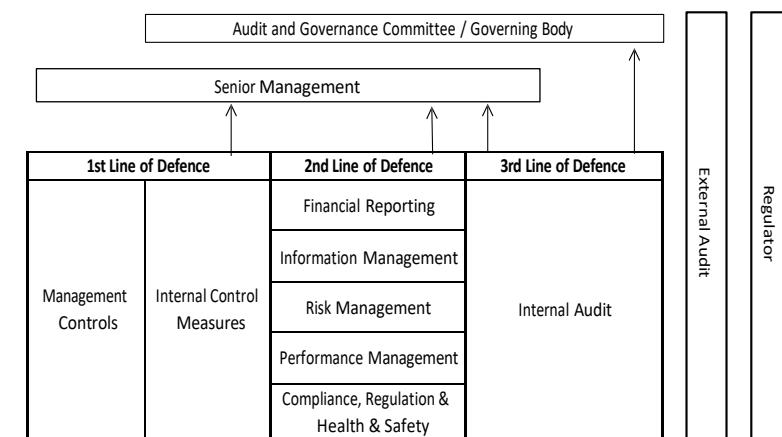
The first line of defence provides management assurance by identifying risks and business improvement actions, implementing controls and reporting on progress.

### Second Line of Defence – Oversight Functions

The second line of defence consists of activities covered by several components of internal governance. This line of defence monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information up and down the organisation. These are usually management functions that may have some degree of objectivity but are not entirely independent from the first line.

### Third Line of Defence

Internal audit forms the third line of defence. An independent internal audit function will, through a risk-based approach to its work, provide assurance to the organisation's senior management. This assurance will cover how effectively the organisation assesses and manages its risks and will include assurance on the effectiveness of the first and second lines of defence. It encompasses all elements of the Council's risk management framework (from risk identification, risk assessment and response, to communication of risk related information) and all categories of organisational objectives.



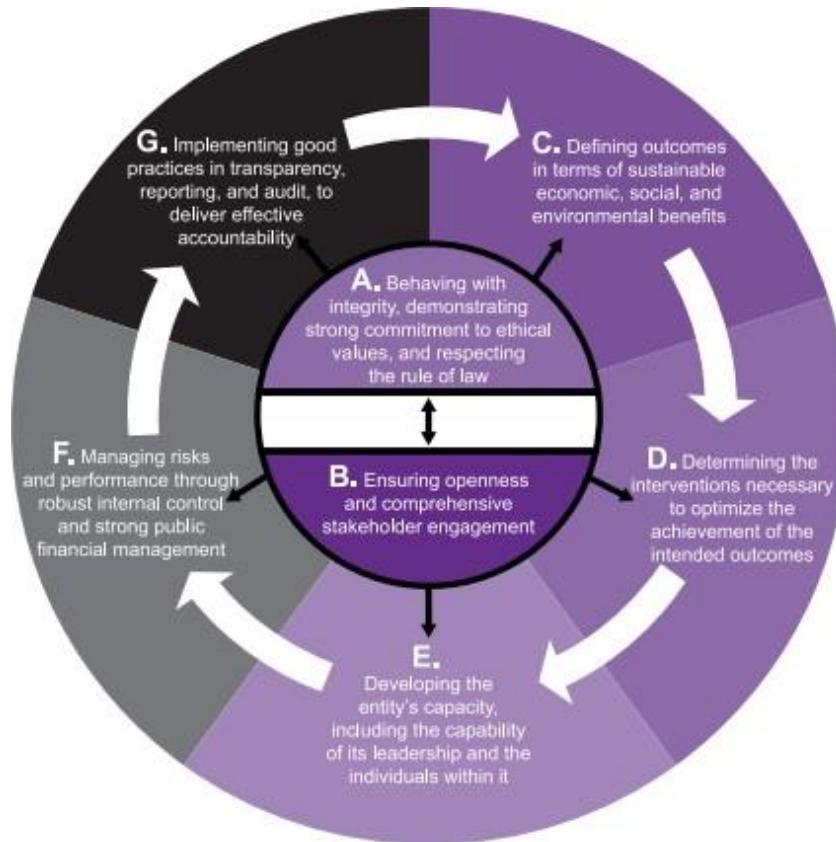
### External Auditors and Regulators

External auditors and regulators reside outside the council structure but have an important role in the overall governance and control structure by providing an independent and objective function to assess the whole, or some part of the first, second or third line of defence.

### Audit and Governance Committee's Role

All three lines of defence have specific tasks in the internal control governance framework. It is the Audit and Governance Committee's role to maintain oversight and to monitor the effectiveness of internal controls and risk management processes, as well as internal audit activities.

## PLYMOUTH CITY COUNCIL'S CORPORATE GOVERNANCE FRAMEWORK



The Council's Code of Corporate Governance is consistent with the principles of the CIPFA/SOLACE 2016 Framework Delivering Good Governance in Local Government.

This diagram illustrates how the various principles for good governance in the public sector relate to each other. To achieve good governance the Council should seek to achieve their intended outcomes while acting in the public interest at all times.

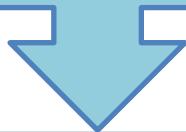
As overarching requirements for acting in the public interest, principles A and B apply across all other principles (C - G).

A high-level summary of the Council's local arrangements in place for 2024/25 to comply with each of the principles is set out below.

Details within the Code and the Annual Governance Statement aim to provide assurance that:-

- the Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- Performance statements are accurate.

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law



Council's [Constitution](#)

[Scheme of Delegation](#)

Committee [Structure](#)

Corporate [Plan](#)

Codes of Conduct

Anti-Fraud, Bribery and Corruption Policy

Whistleblowing Policy

Statutory Officer Roles

Register of Interests/ Hospitality

Protocol for Member Officer Relations

Risk and Opportunity Management Strategy

Whistleblowing Policy

Customer feedback and complaints

The Council's organisational values are underpinned by its system of internal control and governance arrangements to ensure compliance with its Code of Corporate Governance.

The [Council's Local Code of Corporate Governance](#) (appendix 2) as described in this Governance Statement has been reviewed in line with CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 and has been reviewed in light of the Financial Reporting Council updated Code of Corporate Governance issued in 2018.

Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law is acknowledged as key to the delivery of good governance and underpins the delivery of council priorities and services for the community.

The standards of conduct and personal behaviour expected of Members and Officers, its partners and the community are defined and communicated through Codes of Conduct and Protocols within the Council's Constitution. Arrangements are in place to ensure that Members and Officers are aware of their responsibilities under these Codes and Protocols.

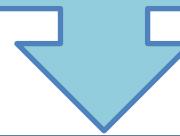
Elected Members and Senior Officers are collectively responsible for the governance of the Council. Decision making and scrutiny of decisions has been separated through the executive arrangements introduced by the Local Government Act 2000.

Ward-based governance and engagement arrangements for Councillors, multi-agency problem solving arrangements, reliable casework handling and feedback and customer insight to inform decision-making are all elements of our plans, equipping Councillors to do their job.

The Head of Devon Assurance Partnership has overall responsibility for the maintenance and operation of the whistleblowing policy. This includes monitoring the policy and maintaining a record of the concerns raised and outcomes, which will be reported to the Audit and Governance Committee in an anonymised format.

Arrangements are in place for Members and Officers to declare gifts and hospitality and to register interest and manage conflicts of interest.

## Principle B – Ensuring openness and comprehensive stakeholder engagement



### [Statement of Community Involvement](#)

### [Customer feedback & complaints](#)

Committee meetings, webcast and agendas publication

### [Public Questions and Petitions](#)

### [Plymouth City Survey and Residents Survey](#)

Annual Reports

Partnerships

### [Thrive Plymouth](#)

### [Social media pages](#)

### [Our Approach to engaging with local communities](#)

Ensuring openness and comprehensive stakeholder engagement is considered essential in meeting the Council's corporate ambitions and framework of values and regarded as key to effective service delivery. Communication supports the decision-making process and helps to improve service quality and foster good relationships between staff, Members and stakeholders.

Our approach to engagement explains how we value the views and opinions of everyone who lives, works, studies, and volunteers in the city and we want to ensure that everyone is treated with respect, has equal opportunity to have their voice heard, get involved and feels that their contributions are valued. The Statement of Community Involvement (SCI) sets out the minimum requirements for consultation and involvement that must be followed by the local planning authorities (LPA) of the Councils when preparing planning documents or consulting on planning applications. The document also sets out how the LPAs will support groups undertaking neighbourhood planning.

The Council has a system for recording Customer Feedback which enables learning from feedback and complaints to facilitate effective monitoring of information provided by customers to review future service delivery. There is a formal process for corporate complaints as well as for Children's and Adults statutory complaints.

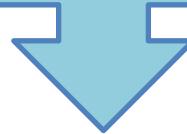
Committee meetings, including Full Council and Cabinet are webcast live and archived as part of our drive to make our decision making more open and transparent. Performance information, including financial performance is regularly reviewed by the Executive and Scrutiny in public. There are many ways the public can get involved in local decision making or raise issues that are important to them and other members of the community such as asking questions at Committees, attending public meetings and submitting petitions.

The Plymouth city survey represents the findings of a resident survey that was sent to households across the authority area to capture an insight into residents' perceptions and feelings about the city, their community and their life.

Partnerships including; Health and Wellbeing Board, [Safer Plymouth](#), [Safeguarding Adults partnership](#), [Plymouth Safeguarding Children's Partnership](#) continue to review representation and where appropriate includes greater community and voluntary sector representation.

Following an in-depth evaluation of the past 10 years, Thrive Plymouth re-launched in November 2024 with a new underlying construct which aims to take a holistic approach to person's wellbeing and considers different factors that impact on people's health. The construct is Healthy Body, Healthy Mind, Healthy Places and Healthy Communities

Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits



Corporate [Plan](#)

[The Plymouth Plan](#)

[The Net Zero Action Plan](#)

Plymouth Local Care Partnership System Plan

The Plymouth and South West Devon Joint Local [Plan](#)

Capital Business Cases

Procurement Strategy

Social Value Policy

[Plan for Homes 4](#)

[Economic Strategy](#) 2024 - 2034

Our Corporate Plan is focused on our vision to be ‘one of Europe’s most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone’. That means everyone working together towards our shared ambition to be a democratic, responsible, fair and collaborative city.

The Plymouth Plan provides the strategic direction for decision making in the city. It brings together all statutory and non-statutory plans forming a holistic strategy for people and place.

The Council uses its operating model to develop more appropriate outcomes for people and more effective service delivery, standardising, simplifying and sharing wherever possible, through the Plymouth Family or wider partnerships.

The Plymouth Local Care Partnership System Plan sets out ambitious plans to improve health and care services for people across Devon in a way that is clinically and financially sustainable.

The Plymouth and South West Devon Joint Local Plan looks at the big issues, including where to build homes, where roads should go and how to ensure economic growth and prosperity for Plymouth residents and those living in the towns and villages of West Devon and the South Hams. We carried out a major consultation asking people where land should be set aside for homes and work and what should be protected as green space.

Economic benefits are integrated into decision-making processes, with business case requirements for capital investments and service changes. The Council's procurement strategy includes social value requirements, ensuring that spending decisions contribute to local economic and social benefits.

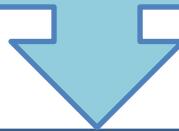
The Net Zero Action Plan (NZAP) is a three-year delivery plan, setting out the City Council's proposals to reduce its greenhouse gas emissions. It responds to the Net Zero Plymouth challenge set out on the Climate Connections Plymouth website and explains how the City Council will aim to play its part in delivering the Plymouth Plan's policy aim that Plymouth achieve net zero by 2030.

Procurement has a key role to play in reducing scope 1, 2 and 3 emissions directly, by the Council controlling what and how it decides to procure. The Climate Impact Assessment is a visual tool that helps the Council's decision-makers to understand the likely climate impacts of their judgements before a decision is made.

This Economic Strategy provides the direction for economic growth over the next 10 years 2024-2034

Plan for Homes 4 is our latest housing strategy. The plan aims to deliver at least 5,000 homes over 5 years including more homes for social rent and low cost home ownership.

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes



Medium Term Financial [Strategy](#)

Business Planning

[Cabinet](#)

Overview and Scrutiny  
[Committees](#)

Performance and Accountability  
Framework

Corporate Plan Performance  
[Reports \(and delivery plans\)](#)

Key Performance Indicators

Service Standards

Portfolio Holder meetings

[Complaints procedure](#)

[Counter Fraud Report](#)

[Audit reports](#)

The Medium-Term Financial Strategy (MTFS) sets out how the Council will finance the priorities for the Council, having regard to the Plymouth & South West Devon Joint Local Plan and the Corporate Plan.

The system of internal financial control is based upon a framework of regular management information, financial regulations, Contract Standing Orders, administrative procedure and a structure of delegation and accountability.

The Section 151 officer, as documented in the Constitution, has responsibility for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts and maintaining an effective system of internal financial control.

Cabinet is our main decision making body, made up of the Leader of the Council and nine Councillors.

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

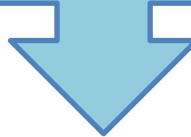
The Corporate Fraud Team fulfils the Council's statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.

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

Service Standards have been implemented across the Council to improve the way we listen and respond to our customers.

Internal Audit partners undertake an annual review of audits to identify key themes, themes that are considered for action by Corporate Management Team. This is considered good practice.

Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it



Organisational Development

Hybrid working

People Strategy

Staff survey

Employee recognition Programme

Learning and development  
Programme

Councillor Development  
Programme

Apprenticeship Programme

Management and Leadership  
development programme

Staff performance discussions

Staff Wellbeing and Resilience  
Survey

An Organisational Effectiveness and next stage of change programme is being developed to shape the organisation and ensure its alignment to the purpose of the Council and the context in which it operates.

Our People Strategy fits with the bigger plans for our city and shows our dedication to creating a lively, caring, innovative, and inclusive organisation. This means we are not only handling today's challenges with flexibility and strength but also building strong foundations for a successful future.

A big part of this is taking care of and developing our workforce. We want to grow talent, encourage continuous learning, and use the diverse skills of our employees to provide exceptional public services and to ensure the development of our city. Our plans aim to make jobs satisfying, improve employee wellbeing, and create opportunities for career growth, ensuring our workforce stays motivated and prepared to meet our community's changing needs.

Our strategy is about empowerment—helping our employees excel in their jobs, supporting our community to thrive, and enabling Plymouth to achieve new heights of success and sustainability. This will be achieved whilst upholding the values and standards required of those who work in the public sector. By aligning our people strategy with the city's vision and the corporate plan, we are setting the stage for a future where every member of staff feels they can contribute to and benefit from Plymouth's growth and vibrancy.

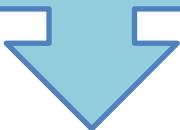
Our People Strategy is our high level medium term plan for how we will provide a motivated, engaged and skilled workforce focused on meeting the needs of the citizens of Plymouth.

- Annual staff survey
- Management and Leadership Programme
- Annual Staff 'Star Awards'
- Induction training carried out for new Members and employees
- Learning and Development Programme
- Apprenticeship Programme

Digital Services is now fully owned and operated from within the Customer & Corporate Services Directorate and is continuing to improve digital activities for customers and staff through website improvements, digital processes and workflows created and improved reporting mechanisms being used.

Opportunities for new income streams are reviewed regularly by all services.

Principle F – Managing risks and performance through robust internal control and strong public financial management



Performance and Accountability Framework

[Corporate Plan performance report](#)

Departmental Performance Scorecards

Risk and Opportunity Strategy

Strategic Risk Register

Operational Risk Register

Joint Integrated Commissioning Risk Management Framework

Information Lead Officer Group

Management of Information Security Forum

Contract Standing Orders

The Council consider and counter risk across a broad range of areas. An approved Risk Management Strategy and Policy and guidance are available for staff on the Council's website together with E-Learning.

Risks are formally reviewed and monitored quarterly by the Corporate Management Team and reported to the Audit and Governance Committee and Scrutiny Management Board.

Risks to planned outcomes are considered as part of the business planning process.

Alignment of risk information with performance management has been improved this year with strategic risk updates now being included within operational performance reports, scrutinised monthly by services.

A Joint Integrated Commissioning Risk Management Framework has been developed with NHS Devon ICS to support our joint co-operative commissioning approach.

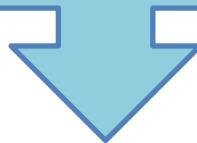
Information Lead Officer Group direct work streams within the overall governance of information assets and the Management of Information Security Forum ensure there is clear direction and visible management support for security initiatives.

Risks that threaten the health, safety and wellbeing of employees and other people using Council premises are monitored by the Health, Safety & Wellbeing Steering Group via the HSW risk register.

Internal control arrangements include comprehensive financial regulations, contract standing orders, and internal audit coverage. The Head of Internal Audit provides annual assurance opinions based on systematic audit coverage and continuous monitoring of control effectiveness.

Financial management demonstrates compliance with CIPFA standards through qualified staffing, comprehensive budget processes, and effective monitoring arrangements. The Section 151 Officer provides statutory financial oversight with direct access to all areas of the organisation.

## Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability



### [The Devon Assurance Partnership Internal Audit Plan](#)

#### External Audit

#### The Audit and Governance Committee

### [Audit and Governance Committee Self-Assessment](#)

#### Overview and Scrutiny Committees

#### [Constitution](#)

#### [Scheme of Delegation](#)

#### [The Forward Plan of Key Decisions](#)

## Internal and External Audit

The Devon Assurance Partnership (DAP) has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon Councils. DAPs Internal Audit Plan is based on the high risks reported within risk registers and is presented to and approved by the Audit and Governance Committee on an annual cycle. The plan is published on the Council's website with the Audit and Governance Committee agenda. The Council's arrangements for providing economy, efficiency and effectiveness are reviewed by the external auditors on an annual basis. Their Annual Report provides a summary of the activity undertaken during the year. They also review the Annual Governance Statement.

## Audit and Governance Committee

An effective Audit and Governance Committee is in place whose purpose is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. The Committee has one independent member and a vacancy for one other.

The Audit and Governance Committee monitor and review the Council's corporate governance arrangements, financial reporting, internal control system, risk management system and internal and external audit functions. In line with good practice, Audit and Governance Committees should assess their effectiveness annually. The self-assessment undertaken demonstrated that the Audit and Governance Committee is operating effectively and in compliance with CIPFA guidance.

## Overview and Scrutiny Committees

The scrutiny function is delivered through the Overview and Scrutiny Committees, and is another way to monitor audit reviews and associated recommendations. The Overview and Scrutiny Committees for 2024/2025 were;

- Scrutiny Management Board
- Children, Young People and Families Scrutiny Panel
- Health and Adult Social Care Scrutiny Panel
- Housing and Community Services Scrutiny Panel
- Natural Infrastructure and Growth Scrutiny Panel

The Constitution establishes the governance framework within which the Council operates alongside the Scheme of delegation for decision making. The Forward Plan provides advance notice of key decisions with opportunities for input from Councillors and Members of the public.

## KEY GOVERNANCE AND DELIVERY AREAS

### Part A: Key Governance Recommendations & Actions

Overall we can confirm that the Council has the appropriate systems and processes in place to enable good governance. During the course of 2024/25 the following actions have been completed on the basis of recommendations from internal and external audit, Council Members and Officers.

Governance Issue	Lead Officer	Assurance Statement	Reported Through
<b>Progress against Audit recommendations</b>			
<p><b>External Audit Recommendations – Audit Findings</b></p> <p>A number of recommendations were made by Grant Thornton, the Council's External Auditors, during 2024/25. These relate to findings from the audits of the 2020/21 and 2023/24 accounts.</p> <p>The recommendations (42 in all) are set out in full in the published Audit Findings Reports for <a href="#">2020/21</a> and <a href="#">2023/24</a>, and the Auditor's Annual Report for <a href="#">2023/24</a>. These reports were considered by the Council's Audit and Governance Committee and are published on the Council's website.</p>	Service Director Finance (Section 151)	<p>Progress against External Audit recommendations is tracked by the Finance Department, with oversight by the Audit and Governance Committee and the Corporate Management team.</p> <p>At the time of writing, 22 out of 23 External Audit recommendations arising from the audit of the council's 2020/21 accounts have been implemented and closed as complete. Further work relating to the final recommendation (concerning working papers and audit trail for asset accounting) is ongoing, with further training for capital project managers planned during 2025/26.</p> <p>8 of 15 External Audit recommendations arising from the more recent audit of the council's 2023/24 statement of accounts have been closed, with implementation of the remaining 7 recommendations underway.</p>	<p>Audit and Governance Committee</p> <p>Corporate Management Team</p>
<b>External Audit Recommendations – Annual Report</b>	Service Director Finance (Section 151)	The External Auditor's Annual Report for 2023/24 contained three Key Recommendations for the Council in relation to the Council's arrangements for securing	

Governance Issue	Lead Officer	Assurance Statement	Reported Through
<p>The Council's External Auditors also consider and comment on the Council's arrangements for securing Value for Money as part of their annual audit. Grant Thornton's Annual Report for the 2023/24 financial year was presented to the Council's Audit and Governance Committee on 12 November 2024 and is published on the Council's <a href="#">website</a>.</p>		<p>value for money. One of these recommendations, relating to the DfE Improvement Notice for children's social care has now been lifted by the DfE following the Ofsted Inspection of Children's Services in January 2024. Actions to address two further Key Recommendations (relating to the links between Transformation Plans and the Council's Medium Term Financial Strategy) remain ongoing and will be implemented through the forthcoming MTFP round, and through the emerging Transformation Programme.</p> <p>Five further Improvement Recommendations were also made in the most recent Annual Report; of these, two have been addressed, with actions to address a further three remain in progress. A further detailed update will be reported to Audit and Governance Committee at its September 2025 meeting.</p>	
<p><b>Data Quality Strategy</b></p> <p>The Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI's in its corporate performance framework, with a view to including an assessment of specific data sets within non-financial performance reports.</p>	<p>Director for Public Health</p>	<p>The Council recognises the importance of good quality data; consistent, accurate, timely and comprehensive information is vital to facilitate the Council's decision-making process and to deliver better quality services to our customers. This strategy achieves a coordinated approach and to ensure consistently high standards are achieved both within and across services with respect to data quality.</p> <p>The outcomes expected from the adoption of this strategy are that Council data will be accurate and verifiable and that all staff will know the part they play in this process. High-quality data leads to accurate performance information, which informs better decision-making, prioritisation, and planning</p>	<p>Audit and Governance Committee</p> <p>Corporate Management Team</p>

Governance Issue	Lead Officer	Assurance Statement	Reported Through
		A Data Quality strategy has been created and reported through the Audit and Governance Committee at 1 April 2025 meeting.	
<p><b>Procurement Strategy</b></p> <p>The Council should produce a procurement strategy, as part of a review of its procurement arrangements, to ensure that the Council's policies, procedures and practices up to date in terms of a better analysis of spend, budget and risk.</p>	Service Director Finance (Section 151)	<p>The Audit and Governance Committee approved a new organisational Procurement Strategy for the period 2024-2026 at 23 July 2024 meeting.</p> <p>The strategy incorporated current national and local priorities as well as taking account of known upcoming government legislative and policy changes.</p> <p>The strategy is structured into three parts:</p> <ol style="list-style-type: none"> <li>1- The Council's chosen strategic procurement framework- category management,</li> <li>2- The Council's nine strategic procurement themes to delivered within this framework,</li> <li>3- The five key enablers to the successful monitoring of the strategy.</li> </ol>	Audit and Governance Committee Corporate Management Team
<p><b>Procurement Readiness Action Plan</b></p> <p>The Council's Procurement Readiness Action Plan should be reported to the Audit and Governance Committee so it has assurance that the Council will be implementing the requirements of the new procurement regulations in a timely manner by the deadline of February 2025</p>	Service Director Finance (Section 151)	<p>The Procurement Readiness Action Plan was considered at 14 January 2025 Audit and Governance Committee.</p> <p>The purpose was to ensure the Council is ready for the new regime.</p> <p>The Council has complied with all the statutory requirements that went live on the 24 February 2025 and work is in progress to ensure the Council will comply with the statutory requirements due to come into force in the Autumn 2025 (no release date yet confirmed).</p>	Audit and Governance Committee Corporate Management Team

Governance Issue	Lead Officer	Assurance Statement	Reported Through
<b>Internal Audit</b>	Service Director Finance (Section 151) Audit Manager	<p>Based on work undertaken in 2024/25, and drawing on current year progress and prior audits, the Head of Internal Audit has provided 'Reasonable Assurance' on the adequacy and effectiveness of the Council's internal control framework.</p> <p>There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives. This statement of opinion is underpinned by:</p> <p><i>Internal Control Framework</i></p> <p>The Council's policies, procedures, and systems generally supported effective decision-making, compliance, resource efficiency, and achievement of objectives. While some areas of non or partial compliance were identified, none materially affected operations or governance. Core financial and administrative systems were reviewed and found to be operating effectively overall.</p> <p><i>Risk Management</i></p> <p>The Council maintains a sound risk management framework, including a clear strategy, defined roles, and oversight by senior leadership. Risk is embedded in decision-making through structured reporting and monitoring. Opportunities for improvement are recognised such as developing the integration of audit findings into performance and risk management</p> <p>The Council has engaged with the Risk Management team at Devon Assurance Partnership to undertake</p>	Audit and Governance Committee Corporate Management Team

Governance Issue	Lead Officer	Assurance Statement	Reported Through
		<p>work in 2025/26 to assist with strengthening overall risk maturity.</p> <p><i>Governance Arrangements</i></p> <p>Governance was considered across all audits. While arrangements are broadly effective, opportunities remain to improve consistency and alignment with business needs. These areas will continue to be reviewed in 2025/26.</p>	
<b>Progress against issues identified in Annual Governance Statement 2023/24</b>			
<p><b>Governance Review (CIPFA)</b></p> <p>The Council agreed to work with Government appointed reviewers, CIPFA, to undertake a governance review with a programme of work developed that was anticipated to be completed by December 2024.</p> <p>Further details of the recommendations and actions taken are set out in Part C, below.</p>	<p>Service Director for Finance (Section 151)</p> <p>Service Director for Legal (Monitoring Officer)</p>	<p>The scope of the Government-commissioned review tasked CIPFA with assessing Plymouth City Council's financial position, including its financial resilience, financial management, and capital programme. The report provided this assessment across three key themes:</p> <ul style="list-style-type: none"> <li>• financial management and sustainability</li> <li>• capital programme, debt, investments and assets</li> <li>• improvement plan and roadmap:</li> </ul> <p>The review determined 7 key risks and recommendation, which are addressed in Part C of this report. CIPFA's overall assessment of the Council's financial position was positive, noting that:</p> <p>“The Council has efficient and effective financial management processes in place for financial planning and budget monitoring. There is strong and clear ownership of budgets across the corporate leadership team.”</p>	<p>Cabinet</p> <p>Audit and Governance Committee</p> <p>Council</p>
<p><b>Family of Companies</b></p> <p>It was agreed that an action plan would be developed to address governance issues</p>	<p>Service Director for Legal (Monitoring Officer)</p>	<p>Audit and Governance Committee approved the Family of Companies Governance Framework on 10 September 2024 with implementation commenced through establishment of formal oversight structures.</p>	<p>Corporate Management Team</p> <p>Audit and Governance Committee</p>

Governance Issue	Lead Officer	Assurance Statement	Reported Through
		<ul style="list-style-type: none"> <li><i>Governance Framework Approval</i> - Family of Companies Governance Framework approved by Audit and Governance Committee providing clear oversight structure for council company interests</li> <li><i>Shareholder Officer Group</i> – The Monitoring Officer established committee with first meeting held 9 September 2024, Terms of Reference and required attendees agreed, future meeting agenda items confirmed</li> <li><i>Shareholder Committee</i> – The Monitoring Officer established formal committee with first meeting held 16 December 2024, Terms of Reference and attendance requirements agreed, ongoing agenda planning completed</li> <li><i>Operational Framework</i> - Both committees become operational with clear governance arrangements, defined membership, and structured approach to ongoing oversight responsibilities</li> </ul>	Scrutiny Panel(s)
<b>Constitution</b> To make the remaining changes from the 2023/24 review of the Constitution: Contract Standing Orders Rules of Debate	Service Director for Legal (Monitoring Officer) Head of Procurement Head of Elections	Audit and Governance Committee approved refreshed Contract Standing Orders on 23 July 2024 following comprehensive review and consultation process. <ul style="list-style-type: none"> <li><i>Comprehensive Review Process</i> - Conducted thorough review incorporating feedback from multiple sources including business-as-usual delivery feedback from Procurement and Legal Services teams and input from individual officers.</li> <li><i>Governance Approval</i> - Audit and Governance Committee approved refreshed Contract Standing Orders and recommended changes to City Council for formal adoption</li> </ul>	Corporate Management Team Audit and Governance Committee Council

Governance Issue	Lead Officer	Assurance Statement	Reported Through
		<ul style="list-style-type: none"> <li>• <i>Constitutional Updates</i> - City Council agreed amendments to Part B Council Procedure Rules and new Rules of Debate as set out in appendices</li> </ul>	
<b>Information Access Provision</b> A business case and action plan were being developed to address the issues raised for implementation in 2024/25.	Information Governance Manager	<p>The Corporate Management Team have reviewed the outcomes of the audit. A business case and action plan has been developed to address the issues raised for implementation in 2025/26, which has been approved by CMT.</p> <p>The action plan includes greater centralisation of Information Access to introduce efficiencies and improved quality of responses, along with enhanced compliance with the Data Protection Act.</p> <p>Implementation will take place during 2025/26</p> <p>The Council has delivered 64% of the recommendations from the ICO Audit including:</p> <ul style="list-style-type: none"> <li>• Increasing staff numbers to meet the demand.</li> <li>• Improved policies and templates.</li> <li>• Introduction of digital request forms.</li> <li>• Enhanced guidance for staff.</li> </ul>	Corporate Management Team
<b>Organisational Effectiveness Plan (OEP)</b> The Senior Leadership Team had been involved in working towards the development of an OEP in 2023/24. The Corporate Management Team had agreed to the development of an appreciative	Service Director HR & OD	Work on Organisational Effectiveness in 2024/25 included a number of programmes. These included: The development of a new People Strategy, to be launched in September 2025; new Management & Leadership Development programmes; a Digital Academy to develop skills in data and artificial intelligence; project management training	Corporate Management Team

Governance Issue	Lead Officer	Assurance Statement	Reported Through
<p>inquiry programme to include governance, structure, training programme, communication plans and evaluation techniques.</p> <p>And</p> <p>The development of a programme to move staff to using M365 tools, supported by a comprehensive training and development programme</p>			
<p><b>Performance Framework</b></p> <p>Development of a new framework was underway to be reported on to the Corporate Management Team before further consideration by relevant governance bodies.</p>	<p>Senior Performance Advisor</p>	<p>Performance Framework development progressed with draft framework presented to Corporate Management Team and approach agreed in principle, but further work required following officer leadership changes and introduction of new Local Government Outcomes Framework.</p> <ul style="list-style-type: none"> <li>• Framework Development - A comprehensive Corporate Performance Management Framework drafted incorporating outcome-driven approach, strong leadership principles, and clear accountability structures</li> <li>• Governance Structure - Established systematic approach to monitoring Corporate Plan delivery across six key priorities with defined oversight responsibilities at multiple levels</li> <li>• Performance Reporting Principles - Defined reporting framework aligning with council priorities, clear accountability, and visual interactive web-based performance dashboards</li> <li>• Roles and Responsibilities - Detailed framework outlining performance management responsibilities</li> </ul>	<p>Corporate Management Team</p> <p>Scrutiny Panel(s)</p> <p>Cabinet</p> <p>Audit and Governance Committee</p>

Governance Issue	Lead Officer	Assurance Statement	Reported Through
		for Elected Members, Strategic Leadership Team, Head of Service, and Individual Employees	
<b>Continuous Improvement</b>			
<b>Capital Programme Governance and Handbook</b>	Service Director for Finance (Section 151)	<p>The council has produced a comprehensive 'Capital Handbook' dated 26 July 2024, which sets out the governance processes in place in the council in respect of the Capital Programme and in relation to individual capital projects.</p> <p>The Capital Projects Officer Group (CPOG) is an officer group that has responsibility for managing and overseeing the capital programme. This includes endorsing (or not endorsing) all Capital Mandates and Business Cases for presentation to decision makers, and testing proposals against the Council's priorities and policies.</p> <p>The Capital Programme Board has as core members the Leader of the Council and the Cabinet Member for Finance, together with the CEO, S151 Officer and the Service Director for Strategic Planning &amp; Infrastructure as 'standing advisors to the Board'. Other Members and Officers are by invitation depending on the capital project under consideration.</p> <p>The role of the Capital Programme Board is to:</p> <ul style="list-style-type: none"> <li>• Assess all submissions for capital expenditure prior to them entering into the normal reporting process for approval</li> <li>• Advise the appropriate decision-maker / forum (Leader, Cabinet, Cabinet Member, and Council) on the use of capital resources in delivering the vision, mission, and priorities of the Corporate Plan.</li> </ul>	Corporate Management Team Capital Projects Officer Group Capital Programme Board

Governance Issue	Lead Officer	Assurance Statement	Reported Through
		<p>The Capital Handbook also sets out how capital spend is reported, stating “The reporting of Capital Programme expenditure and funding is currently included in the monthly Finance Monitoring Report presented to CMT and Cabinet plus the management Scrutiny Board. At the end of each reporting quarter, the Capital Budget Monitoring Report will be presented to Full Council”.</p> <p>CIPFA reviewed the governance of the Capital Programme, as set out in the Capital Handbook, and confirmed it is “fit for purpose”.</p>	
<b>Committee and decision report templates (Legal implications)</b>	Senior Governance Advisor	<p>Committee and decision-making templates have been reviewed to include a legal implications section. This has been added to the corporate report templates as agreed at CMT.</p> <p>This ensures that where a decision is prepared, that the legal implications are formally documented and can be considered by the decision maker</p>	Corporate Management Team

## Part B: Progress Against Key Delivery Areas

Whilst we are satisfied that those enhancements undertaken set out in Part A have worked to improve our overall governance framework, 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 2024/25, these are areas of concern that may impact on our system of internal control. Management have taken action in the 2024/25 financial year and further actions are planned across 2025/26. These are presented alongside an assurance statement on how we will manage the issues raised.

Key Delivery Area	Lead Officer	Progress / Assurance Statement	Reporting Through
<p><b>Limited Assurance - ASC Service Provider Viability</b></p> <p>The issues identified during the audit were:</p> <ul style="list-style-type: none"> <li>• Contract and performance monitoring of ASC providers is only conducted on an ad-hoc basis.</li> <li>• There are no financial viability checks undertaken on ASC providers.</li> <li>• Concerns raised by the outgoing manager of the care home were not pursued as it was not clear if they were valid.</li> <li>• The pre-placement contracts currently in place for ASC providers are very old and generic.</li> <li>• There are no written procedures/guidance in place as to how requests for advance payments should be administered.</li> </ul>	<p>Strategic Director for Adults, Health and Communities Service Director for Integrated Commissioning</p> <p><b>Target date:</b> All actions complete apart from incorporating credit scoring data into risk dashboards – due to be complete by 31/03/2026</p>	<p><b>Actions Implemented</b></p> <ul style="list-style-type: none"> <li>• Provider Risk Management - Weekly intelligence reports now capture data from CQC and complaints, reviewed by Strategic Commissioning Managers, Safeguarding teams, and Service Director, with escalation to DASS when required</li> <li>• Commissioning for Quality Policy - Established to define provider monitoring processes and response actions, currently being reviewed to ensure explicit financial check requirements</li> </ul> <p><b>Actions Planned</b></p> <ul style="list-style-type: none"> <li>• Financial Viability Integration - Ready to incorporate credit scoring data into risk dashboards once data source is secured</li> <li>• Contract Recommissioning - Cabinet-approved business case (September 2024) will deliver new procurement in 2025, including mandatory due diligence on insurance and financial viability for successful bidders</li> <li>• Terms and Conditions Refresh - Current contracts and service specifications being updated to incorporate audit recommendations</li> </ul>	<p>Adults, Health and Communities Management Team</p>

Key Delivery Area	Lead Officer	Progress / Assurance Statement	Reporting Through
<ul style="list-style-type: none"> <li>Extra work created by the advance payments was not billed to the ASC provider.</li> </ul>		<ul style="list-style-type: none"> <li>Regional Learning - Will engage with Devon Council through commissioning networks to understand their new financial monitoring approach</li> </ul>	
<p><b>Limited Assurance - ASC Debt Management 2024/25</b></p> <p>The issues identified during the audit were:</p> <ul style="list-style-type: none"> <li>Policies are out of date and have not been reviewed;</li> <li>Write off procedures do not ensure requests are approved within the Service Area prior to agreement by the Service Director for Finance;</li> <li>ASC Debt Meetings were discontinued and although recently restarted would benefit from a Terms of Reference to ensure members are clear on the objectives and their responsibilities;</li> <li>Insufficient monitoring and chasing of high risk debt including unsecured debt in the name of Executors;</li> <li>Debts from Devon ICB not paid regularly affecting collection rates and impacting on staff time;</li> <li>Bad debt provision is understated and calculation methods could be</li> </ul>	<p>Strategic Director for Adults, Health and Communities Head of ASC and Retained Client</p> <p><b>Target date:</b> All actions now complete apart from Policy review/ updates which are due to be completed by 31/03/2026</p>	<p><b>Actions Implemented</b></p> <ul style="list-style-type: none"> <li>ASC Debt Meetings - Reinstated with agenda including objectives and frequency, Terms of Reference have been formalised and agreed, incorporating governance and risk escalation processes</li> <li>Write-off Process Controls - Additional step built in to ensure write-off instructions only come from ASC management, with all requests to be agreed at ASC Debt Meetings. Income Recovery Team ensure ASC budget holder approval before submitting to Service Director for Finance for write-off approval</li> <li>Suspended Invoices Management - One team member assigned to suspended invoices report, with Legal Services recommendations for irrecoverable debts to be discussed at ASC Debt Meetings. However further action will be reliant on additional resource, an invest to save business case has been proposed, risk accepted.</li> <li>Risk-based Approach - Income Recovery implementing risk-based approach to high value/high risk cases, particularly where unwillingness to pay suspected, with early evidence gathering for LPA applications by 31/1/2025</li> <li>Resource Issues Escalation - Bottlenecks and resource issues preventing debt recovery to be</li> </ul>	<p>Adults, Health and Communities Management Team Debt Management Group</p>

Key Delivery Area	Lead Officer	Progress / Assurance Statement	Reporting Through
<ul style="list-style-type: none"> <li>reviewed to improve accuracy based on individual risk;</li> <li>Inaccurate / overstated debtors accounts where debt is considered not recoverable but remaining on Debtors showing as recoverable.</li> </ul>		<p>discussed at ASC Debt Meetings with escalation to DMT where appropriate.</p> <ul style="list-style-type: none"> <li>Bad Debt Provision has been uplifted using 2025/26 budget uplift fully covering the provision required in line with current methodology this will be subject to ongoing monthly review.</li> <li>Free Text records cleared and subject to ongoing monitoring. Management Reporting debt section added to weekly income reports, with email alerts sent to Management Team when debt levels peak</li> </ul> <p><b>Actions Planned</b></p> <ul style="list-style-type: none"> <li>Income and Credit Management Policy Review is in progress, this includes ASC debt recovery and potential use of enforcement agencies. Awaiting trial results from another Local Authority prior to submission to Committee in September 2025 for formal approval and publication.</li> <li>Charging Policy Review is in progress, Head of ASC and Retained Function reviewing with Income Recovery teams to ensure policy is current and income maximised, including new online financial self-assessment system (Better Care Finance) to be completed by September 2025.</li> </ul>	
<p><b>Limited Assurance - CSC to ASC Social Care Transitions 2024/25</b></p> <p>The issues identified during the audit were:</p> <ul style="list-style-type: none"> <li>The lack of an approved documented strategy and “Protocol”/policy: There is</li> </ul>	<p>Strategic Director for Adults, Health and Communities Strategic Director for Children’s Services Head of ASC and Retained Client</p>	<p><b>Actions Implemented</b></p> <ul style="list-style-type: none"> <li>Governance Policy - Recently implemented governance policy between PCC and Livewell Southwest to ensure direct oversight of performance and practice for all Care Act duties</li> <li>Transitions Research - Currently reviewing Transitions models across Southwest region and</li> </ul>	<p>Federated Leadership Team</p>

Key Delivery Area	Lead Officer	Progress / Assurance Statement	Reporting Through
<p>currently no approved and documented strategy or policy/protocol that has been agreed upon by all relevant stakeholders. This absence hinders a unified approach to managing transitions effectively. It is noted that a draft “Protocol” (procedures guidance) document is in development.</p> <ul style="list-style-type: none"> <li>Non-compliance with the preferred referral process: The preferred referral process is not being adhered to, leading to inconsistencies and potential delays in managing transitions.</li> <li>Unclear, inconsistent, and incomplete data in the case management system (Eclipse): The data regarding transitions in the case management system,</li> <li>Eclipse, is unclear, inconsistent, and incomplete. This lack of reliable data affects the ability to track and manage transitions effectively.</li> <li>Limited financial monitoring processes: There are limited established financial monitoring processes specifically related to social care transitions. This lack of financial oversight/insight can lead to budgetary issues and inefficient allocation of resources.</li> </ul>	<p><b>Target date:</b> All updates completed as planned by July 2025 apart from updates to PCC website and POD needs extending to Dec 2025 due to resource needs.</p>	<p>beyond, considering ADASS/Impower paper findings and recommendations to inform future Plymouth model</p> <ul style="list-style-type: none"> <li>Contract Oversight - Maintaining oversight of Livewell Southwest services through wider ICB contract with University Hospitals Plymouth, with ongoing review of commissioning arrangements</li> </ul> <p><b>Actions Planned</b></p> <ul style="list-style-type: none"> <li>New Reporting Systems - Will develop new reports on existing data sets and create reports to support new Eclipse Process</li> <li>CYPF/ASC Finance Coordination - Reinstating regular information sharing between CYPF and ASC finance teams during 2025/26 financial year, establishing reporting requirements for budget planning and monitoring</li> <li>Website Updates - Officers reviewing existing information to ensure transitions specifically covered on POD and PCC websites with clear signposting and referral information. Sites will be updated with new Transitions Strategy when complete</li> <li>Automated Monitoring - New automated report being set up to monitor transitions and link to new referral process, with relevant Teams receiving automated updates</li> <li>Service User Tracking - New report to monitor CYPF Service users with/without ASC Referral using existing data, with CYPF/ASC Finance teams using new reporting processes for provider payment assurance</li> </ul>	

Key Delivery Area	Lead Officer	Progress / Assurance Statement	Reporting Through
<ul style="list-style-type: none"> <li>Limited information on the PCC website and Plymouth Online Directory (POD): There is insufficient information regarding transitions available on the PCC website or the POD. This lack of accessible information can leave stakeholders and service users uninformed about the transition processes.</li> <li>Limited data on ASC and CS Dashboards: The dashboards for ASC and CS have limited data regarding transitions. This lack of comprehensive data hampers the ability to monitor and evaluate the effectiveness of transition processes.</li> </ul>		<ul style="list-style-type: none"> <li>Pathway Plan Enhancement - Officers discussing about adding two questions to Pathway Plan form for Children in Care/Care Leavers: "Is an Adult Social Care referral needed?" and "Has the Adult Social Care Referral been made?" to enable tracking of young people needing referral</li> <li>Transitions Protocol - Will provide clear governance and expectations regarding roles and functions of all partner organisations including Livewell Southwest</li> <li>Additional Resources - Currently requesting additional project resource to help implement transitions work</li> </ul>	

## Part C: CIPFA Review

The Council requested Exceptional Financial Support (EFS) from the Ministry for Levelling Up, Housing and Communities (now renamed Ministry of Housing, Communities and Local Government – MHCLG) in the form of a Capitalisation Direction. An outstanding issue remained over the accounting principles, which has been reported regularly to the Audit and Governance Committee, in respect of a transaction made in October 2019 to restructuring the Council's pension deficit.

As part of the work required to progress this matter, an assurance review was instructed by MHCLG to be undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) following the in-principle support agreed in February 2024. The review by CIPFA provided an overall positive assessment of the Council's financial position, noting the efficient and effective financial management processes and strong and clear ownership of budgets across the corporate leadership team. In total seven key recommendations were made, all of which have been actioned and completed.

The following table sets out the recommendations and has been updated to reflect the actions taken by the Council in response.

Governance Issue	Lead Officer	Assurance Statement	Reported Through	Page 246
There is a lack of clarity and focus on financing costs (interest and Minimum Revenue Provision (MRP)) to support decision-making.	Service Director for Finance (Section 151)	<p>The recommendation that the budget report, budget monitoring reports and the Medium-Term Financial Strategy (MTFS) should clearly identify financing costs (interest and MRP) as a separate budget item was actioned immediately and included in the 2025/26 Budget report.</p> <p>Visibility of the impact of these amounts will be in the 2025/26 Monitoring Reports from month 3 onwards, to ensure these are closely monitored and reported</p>	Cabinet Scrutiny Committee	
The council recognises the built-in growth for Adults and Children's Social Care is insufficient to cover the increasing pressures.	Service Director for Finance (Section 151)	Recommendation - Regular monitoring and forecasting of changes in demand and costs combined with financial modelling as part of the MTFS.	Cabinet	

Governance Issue	Lead Officer	Assurance Statement	Reported Through
		<p><b>Implemented immediately and included in 2025/26 Budget Report</b> which states:</p> <p><i>“Our budget plans for 2025/26 reflect that the Council’s administration is ambitious in its vision and objectives for the city and is committed to ensuring that services to children and vulnerable adults, this budget does not include reductions to critical services and does not introduce any new charges for services.</i></p> <p><i>The Children, Young People and Families service is experiencing increased placement costs and demand has led to Service needing to use more residential children’s homes placements to meet more complex needs, these placements are at much higher cost than alternatives, plus increased numbers of children placed outside of the city results in increased average weekly costs of placements. Additional budget has been allocated to meet demand from these placements’ pressures of £16.284m.</i></p> <p><i>Within the Adults, Health and Communities Directorate, the additional cost and volume of adult social care packages has been allocated an increase of £7.711m. The increase to the National Living Wage (NLW) requires an additional allocation of £4.395m.”</i></p> <p>The Budget report included a revised MTFS covering the demand pressures and additional costs. There is a regular Children’s Services Monitoring Report presented at Cabinet meetings.</p> <p>There is a Children’s Services Board, chaired by the Chief Executive which meets monthly to review Children’s Services.</p>	

Governance Issue	Lead Officer	Assurance Statement	Reported Through
		Each Finance Monitoring Report sets out the current position for Adults and Children, and updated modelling will inform the council's MTFS for 2026/27 and beyond.	
Sufficient savings proposals are not agreed to close the 2025-26 gap of £17.279m.	Service Director for Finance (Section 151) CMT and Cabinet	<p>Recommendation - The Council ensures it retains focus on taking the decisions necessary to set a balanced budget in 2025/26.</p> <p>The 2025/26 Revenue and Capital Budget was approved at Full Council on 24 March 2025. It is a balanced budget which does include savings targets, as presented by the Strategic Directors and agreed with Cabinet.</p> <p>The budget was subject to two full days of scrutiny by Members.</p> <p>Work has already started on the approach to the 2026/27 Budget and sustainable savings plans.</p>	Council
Implementation of the recommendations to strengthen corporate governance of the Family of Companies (FoC) is delayed.	Service Director for Legal (Monitoring Officer)	<p>Recommendation - The council ensures implementation of the recommendations to strengthen corporate governance of the FoC is given appropriate priority.</p> <p>Monitoring Officer set up 2 committees:</p> <ol style="list-style-type: none"> <li>1) Shareholder Officer Group first meeting held 9 September 2024</li> <li>2) Meetings will be held quarterly unless additional meetings required to deal with specific issues.</li> <li>3) Shareholder Committee first meeting held 16 December 2024</li> </ol>	Corporate Management Team Audit and Governance Committee Cabinet

Governance Issue	Lead Officer	Assurance Statement	Reported Through
		At these first meetings Terms of Reference and required attendees agreed plus agenda items for future meetings.	
A single Shareholder Committee does not have sufficient capacity to provide oversight across the breadth of the entities within the FoC	Service Director for Legal (Monitoring Officer)	<p>Recommendation - Consider the establishment of further Shareholder Committees (or Sub-Committees) with a specific remit in relation to a single company or group of companies based on function, size, degree of control and financial risk to the council.</p> <p>Recommendation noted and for 2) Shareholder Committee specific Cabinet Members will form sub-groups dependent on which company they are associated with.</p>	Corporate Management Team Audit and Governance Committee Cabinet
Capital Programme underspends in 2024-25 with resulting impact on delivery of approved capital projects and knock-on effect in subsequent years.	Service Director for Finance (Section 151)	<p>Recommendation - Undertake a robust review of the profile of the Capital Programme to identify a realistic forecast outturn for 2024-25.</p> <p>The revised governance – Capital Programme Officers Group (CPOG) and Capital Programme Board (CPD) – have now been in operation for over six months. A review of the profile of the programme for 2024/25 was undertaken during Q3 of 2024/25, with a re-profiled programme reported in the Q3 monitoring report. The 2024/25 outturn position was within 90% of the reprofiled programme.</p>	Capital Programme Officer Group Capital Programme Board

<b>Governance Issue</b>	<b>Lead Officer</b>	<b>Assurance Statement</b>	<b>Reported Through</b>
		Further improvements in monitoring the delivery of capital projects and the profile of spend are underway in 2025/26.	
Financing costs as a proportion of net revenue continue to increase, impacting on financial sustainability and the availability of revenue resources to fund council spending priorities in the context of the currently forecast budget gaps in 2025-26 to 2028-29.	Service Director for Finance (Section 151)	<p>Recommendation - Calculate forecast financing costs as a proportion of net revenue through to 2028-29 to provide greater clarity on the cost of future borrowing to fund the Capital Programme and inform decisions on the scale, profile and funding of the Capital Programme.</p> <p>This was actioned during 2024/25 through budget monitoring reports. Work is underway on a Capital Strategy to inform the 2026/27 MTFS and guide affordable investment going forward.</p>	<p>Corporate Management Team Cabinet Audit and Governance Council Scrutiny Management Board</p>

## Part D - Armada Way Independent Learning Review Action Plan

In May 2025, Plymouth City Council published the findings of an independent learning review into the events surrounding the felling of trees on Armada Way in March 2023 — and committed to a comprehensive action plan to improve how it delivers major projects and engages with residents.

Commissioned by the current administration and led by a panel of independent experts through SOLACE, the review explored how decisions were made, how the project was managed, and how the Council communicated with the public. In response, a detailed action plan has been published outlining how the Council will address the findings and ensure that lessons are fully embraced. This includes strengthening decision-making processes, improving consultation and communication, and introducing a new corporate approach to project management.

Outlined below are the key recommendations in relation to Governance matters contained in the review, and the Council statement in response. The full responses and the detailed action plan can be found [here](#)

The action plan as a whole, including the actions we intend to take, will be tracked and monitored through a sub-group of the Audit and Governance Committee as agreed at Council in June 2025.

Governance Issue	Lead Officer	PCC Response / Assurance Statement	Reported Through
<b>Review the Constitution, including urgency provisions</b>  Completion: November 2025	Service Director for Legal (Monitoring Officer)	<p>We acknowledge the panel's recommendation that PCC review its Constitution, particularly in relation to delegated decision-making, the role of key boards, and the urgent decision-making process. While the Constitution is already subject to regular review, we recognise the importance of ensuring that it remains clear, transparent, and aligned with the Council's values — especially in light of recent learning.</p> <p><i>Constitutional Oversight:</i> PCC's Constitution is reviewed in accordance with its own provisions, allowing for both periodic updates and amendments at any time when necessary. The Monitoring Officer is responsible for this ongoing review and brings forward any proposed changes to the Audit and Governance Committee as part of the Council's governance framework.</p> <p><i>Delegated Decision-Making:</i> The Leader's Scheme of Delegation complies with legislative requirements and provides flexibility in how executive decisions are delegated — whether to Cabinet, individual Cabinet Members, or officers.</p>	Corporate Management Team  Audit and Governance Committee

Governance Issue	Lead Officer	PCC Response / Assurance Statement	Reported Through
		<p><b>Urgent Decision-Making:</b> The Constitution includes provisions for urgent decisions, which meet all legal requirements. These are reserved for exceptional circumstances and are now subject to additional scrutiny by PCC's statutory officers. This ensures that urgency is justified and that alternative options have been fully considered. Where urgent decisions are taken, a post-decision reflection is conducted to identify learning and prevent recurrence.</p> <p><b>Decision-Making Boards:</b> The Terms of Reference for formal decision-making boards are set out in the Constitution. Other boards and sub-committees — including officer-led groups — operate in an advisory or preparatory capacity to support formal decision-making processes.</p>	
<p><b>Enhance the recording of advice and decisions</b></p> <p>Completion: November 2025</p>	Service Director for Legal (Monitoring Officer)	<p>The learning review rightly identified weaknesses in the consistency and formality of record-keeping, particularly in relation to 'non-formal' but key meetings and internal advice — including during periods where litigation was foreseeable. While some of these issues stemmed from project management processes, others reflected a broader cultural informality in how advice and decisions were captured.</p> <p>PCC recognises the importance of accurate, transparent, and proportionate approach to well-documented decision-making. We have already taken steps to strengthen our approach and embed more rigorous standards across the organisation.</p> <p><b>Decision-Making Guidance and Support:</b> A comprehensive Decision-Making Guide has been developed for report authors and decision-makers. This is supported by an intranet resource hub, including Frequently Asked Questions and practical tools to support consistent and compliant decision-making.</p> <p><b>Training for Staff:</b> Training on decision-making processes is available to all staff involved in report writing and management.</p>	Corporate Management Team Audit and Governance Committee

Governance Issue	Lead Officer	PCC Response / Assurance Statement	Reported Through
		<p>Directorate-wide sessions have already been delivered, and ongoing training is coordinated through the Democratic Support Team and Monitoring Officer to ensure continued access and support.</p> <p><i>Improved Governance and Recording Systems:</i> As part of our enhanced governance framework:</p> <ul style="list-style-type: none"> <li>• A new system for recording officer decisions has been introduced to ensure greater transparency and traceability.</li> <li>• A dedicated section has been added to decision reports requiring legal advice to be sought and formally recorded before decisions are made.</li> </ul> <p>These measures are designed to ensure that advice, actions, and decisions — particularly in the context of capital projects and delegated authority — are properly documented and aligned with good governance standards.</p>	
<p><b>Extend the rolling Forward Plan for Council decision making</b></p> <p>Completion: November 2025</p>	<p>Service Director for Legal (Monitoring Officer)</p>	<p>We acknowledge the recommendation to extend the Forward Plan to provide greater visibility and lead-in time for key decisions. We recognise that a longer planning horizon can support improved project and programme management, enhance transparency, and give residents and stakeholders earlier opportunities to engage with the Council's decision-making process. However, the current legal requirement is for a 28-day notice period for key decisions, which Plymouth City Council adheres to as part of its constitutional processes.</p> <p>The current forward plan is published on the <a href="#">Council website</a> along with information on how to make representations in respect of decisions.</p>	<p>Corporate Management Team</p> <p>Audit and Governance Committee</p>
<p><b>Ensure that internal advisory and decision-making Capital Project Boards have Terms of Reference</b></p>	<p>Service Director for Finance (Section 151)</p>	<p>We acknowledge that, in the case of the Armada Way project, the governance arrangements — including the clarity and consistency of Terms of Reference for internal boards — were not as robust as they should have been. This contributed to a lack of clarity around roles,</p>	<p>Corporate Management Team</p> <p>Audit and Governance Committee</p>

Governance Issue	Lead Officer	PCC Response / Assurance Statement	Reported Through
Completion: November 2025		<p>responsibilities, and decision-making authority, which was highlighted in the learning review.</p> <p>In response, we are taking clear steps to strengthen governance across all capital projects to ensure that such issues do not recur.</p> <p><i>Directorate-Led Review:</i> Each Strategic Director is currently reviewing all existing capital project and programme boards within their directorate to ensure that Terms of Reference (ToR) are in place. These ToRs will clearly define:</p> <ul style="list-style-type: none"> <li>• Membership and chairing arrangements</li> <li>• Frequency of meetings</li> <li>• Decision-making authority</li> <li>• Reporting lines and escalation routes</li> </ul> <p><i>Capital Programme Handbook:</i> In 2024, PCC introduced a Capital Programme Handbook which formalised governance arrangements for all capital programmes. This includes a corporate ToR template and checklist to ensure consistency and clarity across all boards involved in capital decision-making.</p> <p>These actions are designed to embed a more structured, transparent, and accountable approach to project governance, aligned with the Council's wider commitment to continuous improvement and learning.</p>	
<b>Review the Council's approach to Scrutiny and Cabinet</b>  Completion: November 2025	Service Director for Legal (Monitoring Officer)	<p>We recognise the importance of ensuring that both Scrutiny and Cabinet functions are clearly defined, well-coordinated, and effective in supporting robust, transparent decision-making — particularly in relation to capital projects. While the Council has already taken steps to strengthen these functions, we acknowledge the need to continue demonstrating their effectiveness to the wider community and ensuring they remain fit for purpose.</p> <p><i>External Review and Constitutional Update:</i> An external review of Scrutiny was undertaken in 2022/23. The findings informed a broader</p>	Corporate Management Team Audit and Governance Committee

Governance Issue	Lead Officer	PCC Response / Assurance Statement	Reported Through
		<p>constitutional review in 2023/24, which included clarifying the roles and responsibilities of Scrutiny and Cabinet.</p> <p><i>Strengthened Scrutiny Oversight:</i> At the City Council AGM in May 2024, changes were agreed to enhance the role of the Scrutiny Management Board. The Board now:</p> <ul style="list-style-type: none"> <li>• Reviews the Forward Plan of Key Decisions and Private Business.</li> <li>• Oversees Scrutiny Work Programme sessions, where Chairs can identify which key decisions they wish to scrutinise further.</li> </ul> <p><i>Ongoing Monitoring of Capital Programmes:</i> The Scrutiny Management Board receives quarterly finance updates, including on capital programmes. This enables members to identify and prioritise areas for further scrutiny based on risk, scale, or public interest.</p> <p><i>Cabinet Decision-Making:</i> Cabinet operates in line with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, ensuring transparency and accountability in executive decision-making.</p>	
<b>Enhance the role of the Statutory Officers by ensuring they meet regularly and take shared responsibility to address key governance issues</b>	Service Director for Legal (Monitoring Officer)	<p>Statutory officers meet on a formal basis every six weeks and have done so since 26 July 2024 when the national guidance was introduced.</p>	Complete
<b>Review the approach to the Pre-Election period</b>  Completion: December 2025	Service Director for Legal (Monitoring Officer)	<p>We acknowledge the learning review's observations regarding the Council's approach to the pre-election period during the Armada Way project.</p> <p>We recognise that pre-election guidance is a complex and sensitive area, requiring careful balance between legal compliance, political neutrality, and the need to continue delivering essential Council business. The learning from this experience has reinforced the</p>	Corporate Management Team  Audit and Governance Committee

Governance Issue	Lead Officer	PCC Response / Assurance Statement	Reported Through
		<p>importance of clarity, proportionality, and flexibility in how we apply this guidance.</p> <p>In advance of each election, the Monitoring Officer prepares a Pre-Election Guidance Document. This is informed by:</p> <ul style="list-style-type: none"> <li>• Relevant legislation on publicity,</li> <li>• Guidance from the Local Government Association (LGA),</li> <li>• The Government's Code of Practice on Local Authority Publicity.</li> <li>• The guidance ensures that the Council does not publish material or make decisions that could be perceived as influencing public support for a political party. However, it also recognises that 'business as usual' must continue, and that the pre-election period should not unnecessarily hinder decision-making or disrupt the delivery of services.</li> <li>• Each decision is reviewed on a case- by-case basis to assess whether it can be taken during the pre-election period without compromising impartiality or public confidence.</li> </ul>	
<p><b>Refresh Good Governance training</b></p> <p><b>Ensure greater rigour in decision-making reports so they are accurate, accessible, based on sound evidence.</b></p> <p><b>Ensure that the political and officer leadership work together to maintain a common understanding and collective grip over the application of good governance across Council</b></p>	Monitoring Officer and Head of Elections	<p>We acknowledge that the Armada Way decision-making process exposed weaknesses in how governance principles were applied — particularly in the preparation of reports, the use of urgency powers, and the shared understanding of roles and responsibilities between officers and members.</p> <p>The Council makes over 200 formal decisions a year and we strive to ensure that reports are as comprehensive as possible. Whilst the learning review has highlighted the need for greater rigour, transparency, and accountability in how decisions are developed, scrutinised, and recorded. It also reinforces the importance of a shared commitment to good governance across the Council — from senior leadership to frontline officers.</p> <p>We have already:</p>	<p>Corporate Management Team</p> <p>Audit and Governance Committee</p>

Governance Issue	Lead Officer	PCC Response / Assurance Statement	Reported Through
<p><b>Ensure that Officers take responsibility for the advice that they give, and Councillors take responsibility for the decisions that they make.</b></p> <p>Completion: December 2025</p>		<p><i>Improved Oversight of Urgent Decisions:</i> A new process has been introduced by the Monitoring Officer to ensure that urgent decisions are only used in truly exceptional circumstances. This includes a formal review by statutory officers before any urgent route is approved.</p> <p><i>Stronger Legal Oversight in Reports:</i> All decision-making reports must now include a section on legal implications, based on advice from the Monitoring Officer or a senior legal officer. This ensures that legal risks are properly considered and recorded before decisions are made.</p> <p><i>Training and Development for Members:</i> We are strengthening our training offer for both staff and elected members, with a renewed focus on:</p> <ul style="list-style-type: none"> <li>• The principles of good governance,</li> <li>• The respective roles and responsibilities of officers and councillors,</li> <li>• The importance of accurate, fair, and evidence-based reporting, and</li> <li>• The legal and ethical standards that underpin decision-making.</li> </ul> <p>This training is being embedded into our Management &amp; Leadership Development Programme and will be available to all report authors, project leads, and senior officers.</p>	

## Appendix I – Senior Leadership Team Survey

### Overall Themes

As part of our annual review of governance effectiveness, a comprehensive survey was conducted across all directorates with 27 senior officers participating. The results provide valuable insights into our governance culture and highlight areas requiring management attention.

Theme	Summary of findings
Member-Officer Relations	Exceptionally strong foundation with 96% agreement on integrity, honesty, impartiality and objectivity in duties. High levels of trust and professionalism maintained.
Committee Effectiveness	Strong performance with agreement that committees meet their terms of reference.
Values Communication	Mixed effectiveness - strong internal communication (100% to members, 96% to officers)
Business Planning & Performance	Clear strategic alignment achieved, but gaps in benchmarking capabilities
Financial Management	Robust systems in place, though some service areas require strengthening of controls
Risk Management	Systematic risk identification processes effective, but concerns about IT systems and staff capacity impacting implementation.

### Key Insights by Governance Principle

CIPFA Principle	Leadership View
A – Integrity, Ethics, Rule of Law	Strong foundation - confidence in duty performance with integrity. Members' Code of Conduct well understood.
B – Openness and Engagement	Effective transparency but community confidence challenged by difficult financial decisions

C – Defining Outcomes	Business planning satisfactory with clear strategic alignment
D – Planning Interventions	Strong financial planning integration
E – Leadership and Capacity	Strong people management systems but project management training gaps identified
F – Risk and Control	Systematic risk processes in place, top risks clearly identified.
G – Transparency and Accountability	Strong complaints handling and access to information.

## 2025/26 Actions Informed by Survey Feedback

- **Enhance Project Management:** Implement formal training programme for all project managers
- **IT Systems Review:** Address recurring system issues
- **Performance Framework:** Complete implementation of revised Performance and Accountability Framework with clear metrics and strengthen benchmarking

**APPENDIX 2 - CODE OF CORPORATE GOVERNANCE****Introduction**

Each year the Council conducts a review of the effectiveness of its system of internal control and governance arrangements to ensure compliance with its Code of Corporate Governance. This review forms part of the assurance gathering process to produce the Annual Governance Statement (AGS). The Code has been revised in accordance with the CIPFA/ SOLACE Delivering Good Governance in Local Government Framework 2016.

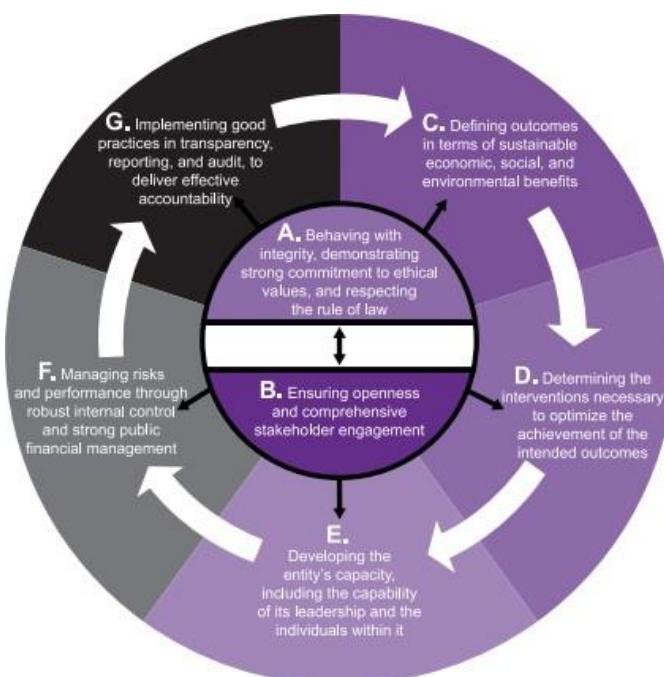
A summary of Plymouth City Council's local arrangements in place to comply with each of the core principles can be found in the Annual Governance Statement (AGS) which is prepared on behalf of the Leader of the Council and the Chief Executive and submitted to the Audit and Governance Committee for consideration and review. It is the Audit and Governance Committee's responsibility to monitor the performance of the Council's governance procedures against the Code. Following approval, the AGS is published alongside the Statement of Accounts on the Council's website.

**Code of Corporate Governance**

Governance is about how the Council ensures that it is doing the right things in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems, processes, cultures and values by which the Council is directed and controlled and through which it accounts to, engages with, and leads its communities.

The diagram below illustrates how the various principles for good governance in the public sector relate to each other. The seven core principles each contain a set of supporting principles, which in turn have a range of specific requirements that apply across the Council's business and these are described in detail on the following pages.



**Core principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

**Description:** Local government organisations are accountable not only for how much they spend, but also how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values to respect the rule of law.

**Sub-principles:****Behaving with integrity**

- Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.
- Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).
- Leading by example and using these standard operating principles or values as a framework for decision making and other actions.
- Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.

**Demonstrating strong commitment to ethical values**

- Seeking to establish, monitor and maintain the organisation's ethical standards and performance.
- Underpinning personal behaviours with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.
- Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.
- Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.

**Respecting the rule of law**

- Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.
- Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.
- Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.
- Dealing with breaches of legal and regulatory provisions effectively.
- Ensuring corruption and misuse of power are dealt with effectively.

**Core principle B – Ensuring openness and comprehensive stakeholder engagement**

**Description:** Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

**Sub-principles:****Openness**

- Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.
- Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.
- Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.
- Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.

**Engaging comprehensively with institutional stakeholders**

- Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.
- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.
- Ensuring that partnerships are based on:
  - Trust,
  - a shared commitment to change,
  - a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.

**Engaging stakeholders effectively, including individual citizens and service users**

- Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.
- Ensuring that communication methods are effective and members and officers are clear about their roles with regard to community engagement.
- Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.
- Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.
- Balancing feedback from more stakeholder groups with other stakeholder groups to ensure inclusivity.
- Taking account of the interests of future generations of tax payers and service users.

**Core principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits**

**Description:** The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

**Sub-principles:****Defining outcomes**

- Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.
- Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.
- Delivering defined outcomes on a sustainable basis within the resources that will be available.
- Identifying and managing risks to the achievement of outcomes.
- Managing service user's expectations effectively with regard to determining priorities and making the best use of the resources available.

**Sustainable economic, social and environmental benefits**

- Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.
- Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.
- Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.
- Ensuring fair access to services.

**Core principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes**

**Description:** Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

**Sub-principles:****Determining interventions**

- Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.
- Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills and assets and bearing in mind future impacts.

**Planning interventions**

- Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.
- Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.
- Considering and monitoring risks facing each partner when working collaboratively including shared risks.
- Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.
- Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.
- Ensuring capacity exists to generate the information required to review service quality regularly.
- Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.
- Informing medium and long term resource planning by drawing up realistic estimates of revenues and capital expenditure aimed at developing a sustainable funding strategy.

**Optimising achievement of intended outcomes**

- Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.
- Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.
- Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues of responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.
- Ensuring the achievement of 'social value' through service planning and commissioning.

**Core principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it**

**Description:** Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience

of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

**Sub-principles:****Developing the entity's capacity**

- Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness.
- Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently.
- Recognising the benefits of partnerships and collaborative working where added value can be achieved.
- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.

**Developing the capability of the entity's leadership and other individuals**

- Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.
- Publishing a statement that specifies the type of decisions that are delegated and those reserved for the collective decision making of the governing body.
- Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.
- Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by;
  - Ensuring members and staff have access to appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.
  - Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.
  - Ensuring personal, organisational and system wide development through shared learning, including lessons learned from governance weaknesses both internal and external.
- Ensuring that there are structures in place to encourage public participation.
- Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.
- Holding staff to account through regular performance reviews which take account of training or development needs.
- Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

**Core principle F – Managing risks and performance through robust internal control and strong public financial management**

**Description:** Local government needs to ensure that the organisation and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

**Sub-principles:****Managing risk**

- Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.
- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.
- Ensuring that responsibilities for managing individual risks are clearly allocated.

**Managing performance**

- Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.
- Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.
- Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible. Encouraging effective and constructive challenge and debate on policies and objectives to support balance and effective decision making.
- Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.
- Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).

**Robust internal control**

- Aligning the risk management strategy and policies on internal control with achieving the objectives.
- Evaluating and monitoring the authority's risk management and internal control on a regular basis.
- Ensuring effective counter fraud and anti-corruption arrangements are in place.
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.
- Ensuring an Audit and Governance Committee or equivalent group or functions which is independent of the executive and accountable to the governing body;

- Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment.
- That its recommendations are listened to and acted upon.

### Managing data

- Ensuring effective arrangements are in place for the safe collection, storage, and use and sharing of data, including processes to safeguard personal data.
- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.
- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.
- Strong public financial management
- Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.
- Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.

## Core principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

**Description:** Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

### Sub-principles:

#### Implementing good practice in transparency

- Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.
- Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.

#### Implementing good practices in reporting

- Reporting at least annually on performance, value for money and the stewardship of its resources in a timely and understandable way.
- Ensuring members and senior management own the results reported.
- Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an evidence to demonstrate good governance (annual governance statement).
- Ensuring that the framework is applied to jointly managed or shared service organisations as appropriate.
- Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.

**Assurance and effective accountability**

- Ensuring that recommendations for corrective action made by external audit are acted upon.
- Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon.
- Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.
- Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.
- Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.

## 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 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement, notes to the financial statements, including material accounting policy information and the Collection Fund. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25.

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 2025 by 27 February 2026 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

On 28 February 2025, we issued a disclaimer of opinion on the Authority's financial statements for the year ended 31 March 2024. We were not able to obtain sufficient appropriate audit evidence by 28 February 2025, the previous backstop date, over the Authority's opening balances, in-year movements in the net pension liability and property, plant and equipment, the closing balance of property, plant and equipment and the closing reserves balance reported in the financial statements for the year ended 31 March 2024. We were therefore unable to obtain sufficient appropriate evidence over the associated corresponding figures for the year ended 31 March 2025 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 of property, plant and equipment and reserves reported in the financial statements for the year ended 31 March 2025. Consequently, we have been unable to satisfy ourselves over their in-year movements. Similarly, this has also resulted in uncertainty over the closing balance of property, plant and equipment of £1,133,639,000 and reserves of £435,198,000 as at 31 March 2025.

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 2025 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 2024-25, 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 (Interim) 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 (Interim)**

As explained more fully in the Statement of Responsibilities for the Accounts, 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 Service Director for Finance (Interim). The Service Director for Finance (Interim) is responsible for the preparation of the Statement of Responsibilities for the 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 2024-25, for being satisfied that they give a true and fair view, and for such internal control as the Service Director for Finance (Interim) 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 (Interim) 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 2025.

We have nothing to report in respect of the above matter except on 12 November 2024 we identified significant weaknesses in the Authority's arrangements for:

- improving economy, efficiency, and effectiveness relating to the Joint Local Area Special Educational Needs and Disabilities (SEND) inspection improvement notice. We recommended that the Authority should continue to embed the improved arrangements that are in place with partners to address the actions raised in the Joint Local Area SEND inspection and resultant Improvement Notice. Therefore, the significant weakness in arrangements remains in place for the year ended 31 March 2025.
- financial sustainability relating to the use of reserves to balance the budget and the need to align the transformation programme to financial planning. The Authority's Medium Term Financial Strategy (MTFS) identifies that significant cumulative savings of £28.4 million are required to balance the budget up to 2029/30. The MTFS does not explicitly identify how the identified budget gaps will be addressed by the Authority's developing transformation programme. This significant weakness remains in place for the year ended 31 March 2025. The previously made recommendations have been updated. On 18 November 2025, we recommended that the Authority should further develop and implement the organisational wide transformation programme and identify the significant savings required to help balance the MTFS and protect the level of reserves.

In addition, on 18 November 2025 we identified significant weaknesses in the Authority's arrangements for financial sustainability relating to the growing Dedicated Schools Grant (DSG) deficit and mitigating financial pressures in social care:

- The Authority has a rapidly growing DSG deficit which represents a significant risk to financial sustainability should the statutory override end in March 2028. The Authority incurred a £14.3 million DSG deficit for 2024/25, resulting in a cumulative deficit of £18.5 million at March 2025. We recommended that the Authority should focus on urgently reducing the annual DSG deficit and develop a robust DSG Deficit Management Plan.
- Adults and Children's Directorate budgets account for the majority of the Authority's net revenue budget and continuing cost and demand pressures on these budgets represent a significant risk to the Authority's financial sustainability. We recommended that the Authority should focus on developing and delivering mitigating actions to manage demand and costs in relation to Adults and Children's Social Services

### **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 the Authority's use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

## **Report on other legal and regulatory requirements – 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 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

### **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. 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.

Barrie Morris, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

[\*\*Date\*\*]

# Audit and Governance Committee



Date of meeting:	20 January 2026
Title of Report:	<b>Draft Capital Strategy</b>
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Service Director for Finance)
Author:	Oliver Woodhams
Contact Email:	Oliver.Woodhams@plymouth.gov.uk
Your Reference:	Finance/OW/CS Draft 2026-27
Key Decision:	No
Confidentiality:	Part I - Official

## Purpose of Report

This report sets out the Council's Draft Capital Strategy for 2026/27, including a Draft 5-year Capital Programme, projections of the Capital Pipeline and Dedicated Schools Grant deficit, and an analysis of the Council's borrowing requirements for the 5-year period from 2025/26 to 2029/30. The Capital Strategy proposes a draft local policy framework and a set of Capital Strategy principles to guide decisions on Capital Investment. The final Capital Strategy will go forward to the City Council as part of the Annual Revenue and Capital budget setting report, and Audit and Governance Committee are being asked to consider the proposals at a formative stage.

## Recommendations and Reasons

1. The Audit and Governance Committee are recommended to note and comment on the Draft Capital Strategy, considering any recommendations Committee may wish to make to Cabinet, who will consider a final version of the Capital Strategy at its meeting in February.

*Reason: Setting an annual Capital Strategy is good financial management practice and a statutory requirement for the Council.*

## Alternative options considered and rejected

1. It is a statutory requirement under the Local Government Act 2003 and supporting regulations to set an annual Capital Strategy.

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

Effective financial management is fundamental to the delivery of Corporate Plan and Plymouth Plan objectives. Capital spending has a significant impact on the Council's activity both in revenue budget terms and investment in the City's assets, and is a key factor in enabling delivery against a number of corporate priorities.

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

The cost of financing capital expenditure affects the Council's budget, and the level of borrowing impacts on the Council's financial standing, expressed through its annual balance sheet. 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 Council's financial planning framework. This document should be considered in conjunction with the Council's annual Medium-Term Financial Strategy and Treasury Management Strategy.

## Financial Risks

Capital activity carries some inherent financial risk. Interest rate risk and other risks associated with capital financing are managed through the Council's Treasury Management. More generally, Financial Risk is considered in the Capital Strategy directly, which sets a local policy framework to ensure that the Council's Capital activities are affordable, sustainable and prudent. Risks associated with individual capital projects and programmes are considered fully in decision making on individual capital schemes.

## Legal Implications

The Capital Strategy is required under the Local Government Act 2003 and the CIPFA Prudential Code, which the Council must have regard to when making decisions on capital spending and borrowing. The Strategy provides the framework for demonstrating that borrowing is affordable, prudent and sustainable, supported by the setting and monitoring of prudential indicators.

The handling of the Dedicated Schools Grant (DSG) deficit follows current regulations permitting the deficit to remain off the balance sheet until March 2028. Planning for a scenario in which the deficit must be financed locally is legally appropriate and necessary to meet the Council's obligation to set a balanced and sustainable budget.

Capital Programme approvals must continue to follow the Council's Constitution, Financial Regulations and Capital Handbook, ensuring that all decisions are supported by robust business cases and comply with public law, procurement law and equality duties.

For non-treasury investments, including the Property and Regeneration Fund, the Council must continue to demonstrate that borrowing is not undertaken primarily for yield and that investments support statutory functions or regeneration objectives, in line with statutory investment guidance.

Overall, the draft Capital Strategy provides a legally compliant framework for capital planning and governance. Ongoing monitoring will be required to ensure compliance as Government policy and financial conditions evolve.

## Carbon Footprint (Environmental) Implications:

There are no direct implications arising from this report – Carbon Footprint and Environmental implications are considered fully in decision making on individual capital schemes.

## 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.

There are no direct implications arising from this report – a wide range of implications are considered fully in decision making on individual capital schemes.

## Appendices

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

## Background papers:

Title of any background paper(s)	Exemption Paragraph Number (if applicable)							
None	<p><i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i></p> <table border="1" data-bbox="746 325 1322 366"> <tr> <td data-bbox="752 327 817 366">1</td><td data-bbox="817 327 882 366">2</td><td data-bbox="882 327 948 366">3</td><td data-bbox="948 327 1011 366">4</td><td data-bbox="1011 327 1076 366">5</td><td data-bbox="1076 327 1141 366">6</td><td data-bbox="1141 327 1206 366">7</td></tr> </table>	1	2	3	4	5	6	7
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## Sign off:

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# AUDIT AND GOVERNANCE COMMITTEE: DRAFT CAPITAL STRATEGY 2026/27



## I. INTRODUCTION AND CONTEXT

This draft Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, alongside an overview of how associated risk is managed and the implications for future financial sustainability. The statutory 2018 Treasury Management Code of Practice Guidance requires that all Local Authorities produce a Capital Strategy each year.

Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, summarised in this report. This year's Capital Strategy report has been developed following a review of the capital programme, and a consideration of the affordability of ongoing capital investment. The local policy framework described in section 7 below sets out overarching principles for the Council's capital programme and planning in order to ensure the capital programme remains affordable.

The Capital Strategy forms 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 the Treasury Management Strategy.

## 2. CAPITAL EXPENDITURE, SOURCES OF FINANCING AND THE CAPITAL PLAN

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

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

- Capital Receipts.
- Grants and contributions.
- S106 and Community Infrastructure Levy (CIL).
- Revenue Contribution to Capital Outlay (RCCO).
- Borrowing – both funded corporately ('Corporate Borrowing'), or where schemes deliver a saving or income, funded directly by a service using income or budget savings (known as 'Service Borrowing').

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

The Capital Programme (described in section 3 below) is the list of schemes which have a confirmed funding source and have been approved for capital investment by the Leader following consideration of a robust, evidence-based business case.

The Capital Pipeline (described in section 4 below) is the term used to refer to identified need or strategic ambition for future investment, utilising funding that the Council hopes to receive in the future

but which has not yet been approved; or potential future borrowing. Only more significant, strategic items are identified as part of the Capital Pipeline, which is used primarily to assess the affordability of the overall Capital Programme in the context of future demand, and to inform the Council's Medium Term Financial Forecast. It is a high-level projection for planning purposes, and will change and develop over time. Inclusion of a scheme or programme within the Capital Pipeline does not mean the scheme or programme is approved – the governance process set out in section 8 below will apply to all schemes before they are approved onto the Capital Programme, whether or not schemes are previously included in the Capital Pipeline.

### 3. CAPITAL PROGRAMME

The City Council's capital programme continues to drive high levels of investment into the City, with a broad range of projects in delivery or about to start, including:

- Investment in City Centre regeneration (for example, Armada Way, the Guildhall project, the Civic centre).
- Investment in additional capacity for social care and SEND services (for example, the acquisition of new Homes for Plymouth Looked After Children, the Meadow View project, the expansion of capacity for SEND education).
- Investment in major transport, infrastructure and flood prevention schemes (the Manadon and Woolwell to the George major road schemes, the Royal Parade project).
- Investment to address the condition of the City Council's asset base (our FM, Foreshore and Highways Maintenance programmes).
- Investment to support the economic growth of the City (e.g. the Embankment Road scheme within the Property Regeneration Fund, the Freeport programme).
- Investment in leisure and recreation facilities and to address the climate emergency (e.g. the National Marine Park programme, the Plymouth & Southwest Devon Community Forest, investment in parks and play equipment, the city centre heat network and building decarbonisation projects).

The current capital programme builds on a period of transformational investment by the City Council in recent years. The City Centre regeneration, leisure and recreation and major transport investments described above build on previous investments such as Old Town / New George Street, the Forder Valley Link Road and the redevelopment of the former Brickfields site (now Foulson Park). Earlier investments to create the Box and the Life Centre have provided Plymouth with world-class heritage, culture and sports facilities; more recently the investment in the Park Crematorium will provide modern, best-in-class facilities to support bereaved families. Ongoing investment in economic growth at our Freeport sites builds on developments already delivering employment opportunities at Derriford District Centre, Oceansgate and many other sites operated through the Council's Property Regeneration Fund portfolio.

Following these recent investments, and with the current programme drawing to a close, the need for ongoing investment beyond the current programme is envisaged to level off. The planning horizon for this Capital Strategy envisages that our investment to date has provided a platform where the City Council will take an enabling leadership role, rather than a direct development role. Future transformational regeneration and economic development investment (such as the New Towns programme and Defence Growth Deal) will be progressed through partnerships. Whilst we anticipate an ongoing, dynamic and ambitious investment programme will continue across the city, the scale of City Council borrowing required is anticipated to reduce and refocus on core, smaller-scale infrastructure such as the Council's highways network, foreshore and other key assets.

Table 1 below sets out a summary of the 5-year Capital Programme as at 31<sup>st</sup> December 2025, summarised by funding source in Figure 1. Appendix 1 provides more detail of the component schemes and sub-programmes.

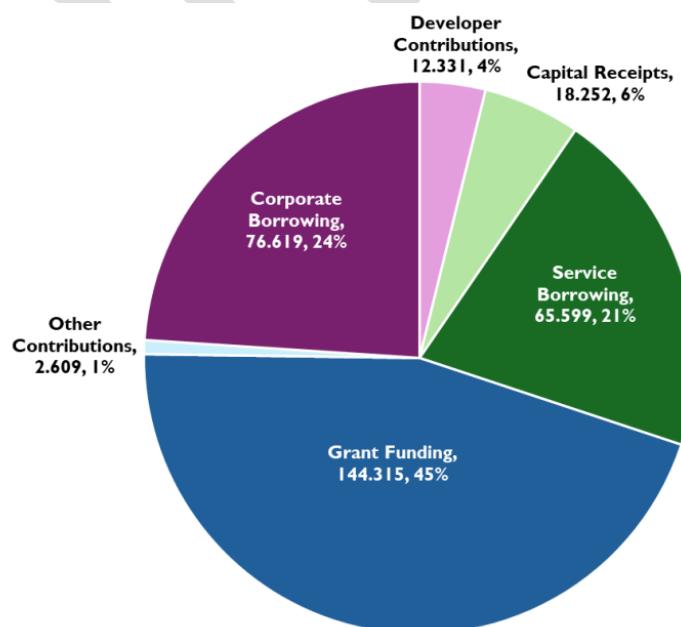
Table 1. Five Year Capital Programme by Directorate:

Directorate	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast	Total
	£m	£m	£m	£m	£m	£m
Children's Services	3.719	0.935	0.410	-	-	5.064
Adults, Health and Communities	15.421	9.968	1.904	-	-	27.293
Growth - Economic Development	38.067	32.403	34.920	8.160	0.266	113.816
Growth - Strategic Planning & Infrastructure	62.362	59.639	11.527	1.933	0.275	135.736
Growth - Street Services	20.295	8.551	0.222	0.212	0.247	29.527
Customer & Corporate Services	5.168	2.442	0.100	0.101	-	7.811
Office for Director of Public Health	0.478	-	-	-	-	0.478
<b>Total</b>	<b>145.510</b>	<b>113.938</b>	<b>49.083</b>	<b>10.406</b>	<b>0.788</b>	<b>319.725</b>

**Financed by:**

Capital Receipts	10.872	4.163	1.189	1.762	0.266	18.252
Grant Funding	79.616	47.935	16.275	0.193	0.296	144.315
Corporate Funded borrowing	35.110	19.032	17.374	5.187	-	76.703
Service dept. supported borrowing	16.266	32.634	13.311	3.162	0.226	65.599
Developer contributions	1.135	10.159	0.934	0.102	-	12.330
Other Contributions	2.511	0.015	-	-	-	2.526
<b>Total Financing</b>	<b>145.510</b>	<b>113.938</b>	<b>49.083</b>	<b>10.406</b>	<b>0.788</b>	<b>319.725</b>

Figure 1: Funding of the 2025-2030 Capital Programme:



## The Capital Programme Review

The Capital Programme is regularly reviewed through the council's ongoing budget monitoring process. However, following recommendations by external auditors, the Finance team have worked with project officers, Service Directors and the council's political and officer leadership to undertake a more extensive review of the capital programme. This has resulted in £86.0m of project expenditure (£46.3m of which is financed by borrowing) being re-profiled from the 2025/26 capital budget into future years, together with an additional £82.3m removed from the 5-year programme altogether (£71.4m of which was financed by borrowing). Table 2 below shows the net impact of this review work in the first two years of the 5-year programme, after the offsetting impact of new schemes approved during the year has been taken into account. It shows a 'flattening' of the original programme, achieved through a detailed re-profiling and re-forecasting exercise, as well as a considerable overall net reduction in borrowing compared to the original position. The budgeted pressure for debt financing in 2026/27 has reduced significantly as a result of this work.

Table 2: Capital Programme Review - overall movement in capital programme forecast for 2025-2027 period

	2025/26		2026/27	
	Total (£m)	Of which financed by borrowing (£m)	Total (£m)	Of which financed by borrowing (£m)
<b>Original capital programme (April 2025):</b>	<b>195.2</b>	<b>92.6</b>	<b>73.9</b>	<b>67.2</b>
Less: expenditure re-profiled into future years (net)	(86.0)	(46.3)	52.3	18.1
Less: approvals removed from programme	(1.6)	(1.0)	(41.6)	(38.6)
Less: funding switched / reprofiled between borrowing and other funding sources	0.0	(1.6)	0.0	0.0
Plus: total new approvals	37.9	7.7	29.3	5.0
<b>Current capital programme (December 2025)</b>	<b>145.5</b>	<b>51.4</b>	<b>113.9</b>	<b>51.7</b>

## 4. CAPITAL PIPELINE

The Capital Pipeline is an important tool for financial and strategic planning, but (as noted in section 2 above) inclusion of an item on the Capital Pipeline does not mean that it will be approved for funding through the Capital Programme. It is a high-level document for planning purposes and will change over time as more detailed plans and programmes are developed, and in response to emerging strategic opportunities and objectives. The Capital Pipeline focuses on areas that require more significant elements of council borrowing – wholly grant funded projects and programmes are generally excluded from the pipeline, as these schemes do not place any direct burden on the council's capital financing budget. Table 3 overleaf sets out the summary Capital Pipeline that has been used to inform the capital planning assumptions set out elsewhere in this document

Table 3: Summary Capital Pipeline

Capital Pipeline	Estimated cost (£m)				
	2026-27 possible pipeline	2027-28 possible pipeline	2028-29 possible pipeline	2029-30 possible pipeline	2030-31 or future years possible pipeline
Children's Services - Residential Homes	1.00	0.50	-	-	-
Children's Services – SEND provision	8.00	14.00	8.00	-	-
Public Health - Leisure facilities	2.50	0.70	-	0.10	-
ICT infrastructure	-	0.50	0.50	0.50	0.50
Energy Efficiency Invest to Save	1.00	1.00	1.00	-	-
Asset Mgt. & Foreshore programme	3.25	3.50	2.50	2.50	2.50
Foreshore contingency	0.50	0.50	0.50	0.50	-
Vehicle, Plant and Equipment	1.00	1.00	1.00	1.00	1.00
Highways & Transport Asset Management programme	14.30	16.60	14.60	15.20	15.00
City Regeneration (allowance estimate)	4.00	6.00	6.20	-	-
Major Transport Schemes (pipeline)	-	-	-	-	11.80
Play Strategy, Parks and Public Realm investment	4.00	4.00	2.00	2.00	2.00
Year 1 contingency (6.5% of total Capital Plan)	11.00	-	-	-	-
<b>TOTAL CAPITAL PIPELINE</b>	<b>50.55</b>	<b>48.30</b>	<b>36.30</b>	<b>21.80</b>	<b>32.80</b>
<b>Financed by:</b>					
Grants and other External Funding	13.10	13.70	10.30	12.40	16.80
Corporate Funded Borrowing	33.75	25.50	25.00	8.40	15.00
Service Department Supported Borrowing	3.70	9.10	1.00	1.00	1.00
<b>TOTAL FINANCING</b>	<b>50.55</b>	<b>48.30</b>	<b>36.30</b>	<b>21.80</b>	<b>32.80</b>

## 5. THE DEDICATED SCHOOLS GRANT (DSG) DEFICIT

Plymouth faces significant pressures in SEND provision, consistent with national trends. Nationally, Education, Health and Care Plans (EHCPs) have increased by 140% over the past decade (from 240,183 in 2015 to 575,973 in 2023/24), and councils are forecast to carry a £5 billion SEND deficit by March 2026. Locally, Plymouth's special schools and academies are at capacity, driving reliance on costly out-of-area placements. The Council awaits the SEND White Paper (expected early in 2026), which should set out long-term reforms focused on improving outcomes rather than reducing support or altering entitlements without robust alternatives. In the meantime, councils can exclude DSG deficits from balance sheets under a statutory override extended to March 2028, providing short-term flexibility while awaiting reform.

Because of the ongoing extension of the DSG High Needs block statutory override, the Council's DSG deficit will continue to accumulate in a reserve on the Council's balance sheet, which is forecast to stand at £54.261m by the end of the 2025/26 financial year (an increase of £35.250m on the previous financial year's closing position of £18.498m). In line with national trends, this level of deficit is now

having a material impact on the council's cash balances, and therefore the Council's underlying need to borrow. For the first time, the council's Capital Strategy must consider the need to finance this growing working capital shortfall.

In Budget 2025, Central Government stated that: "*Future funding implications will be managed within the overall government DEL envelope, such that the government would not expect local authorities to need to fund future special educational needs costs from general funds once the statutory override ends at the end of 2027-28. The government will set out further details on its plans to support local authorities with historic and accruing deficits and conditions for accessing such support through the upcoming Local Government Finance Settlement.*" At the provisional settlement, it was reiterated that: "*We will provide further detail on our plans to support local authorities with historic and accruing deficits and conditions for accessing such support later in the Settlement process.*" Our Capital Strategy therefore assumes that from 1<sup>st</sup> April 2028 the council's DSG High Needs Block deficit is anticipated to move 'on balance sheet' to some extent. This could have a significant impact on the council's capital financing costs – the impact will depend on the level of government support, details of which will be incorporated into the Capital Strategy when known.

In line with the November budget announcement, we are assuming that DSG deficits will be fully funded by central government from April 2028 onwards (and so will cease to increase from that point). However, this Draft Capital Strategy assumes a worst-case scenario whereby the City Council becomes responsible for repayment of all of its DSG deficit from the 2028/29 financial year onwards. The table below shows what the estimated cost of financing the City Council's DSG deficit would be in future years, in a scenario where we receive no financial support from Central Government.

Table 4: Estimated borrowing to fund Dedicated Schools Block cumulative deficit

	2025/26 forecast (£m)	2026/27 forecast (£m)	2027/28 forecast (£m)	2028/29 forecast (£m)	2029/30 forecast (£m)
DSG Deficit Borrowing Requirement (as at year end)	54.261	98.475	168.369	159.951	151.532
Forecast financing costs – interest	0.536	2.932	4.936	6.598	6.251
Forecast financing costs – MRP (assumes worst case scenario of no government support)	0	0	0	8.418	8.418

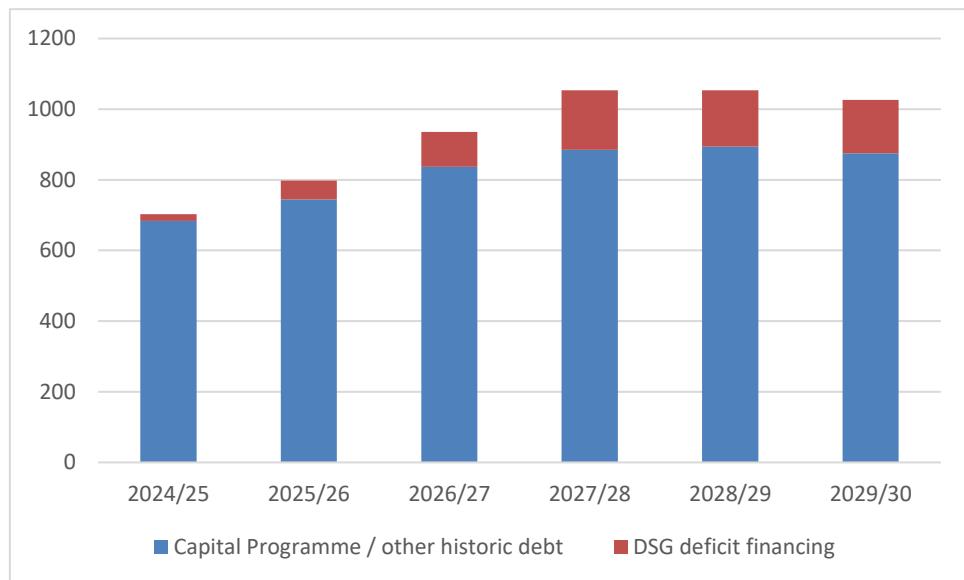
The estimates in table 4 below could change significantly with further Government announcements.

## 6. CAPITAL FINANCING AND THE MINIMUM REVENUE PROVISION

Plymouth City Council has been highly effective at leveraging in external funding to finance investment. From 2015 to 2025, over 40% of the council's capital investment was funded from external sources. As illustrated in Figure 1 above, going forward c. 50% of the current 5-year programme to 2030 is funded externally. In order to leverage in this funding, and directly to invest in income-generating assets, the Council has largely borrowed to finance the remainder of its capital programme (although Capital Receipts form a small but important component of financing, both historically and in the current programme).

As a result of historic borrowing, Plymouth City Council's debt – excluding PFI and lease liabilities – stood at £702.532m as at 31<sup>st</sup> March 2025. Figure 2 below shows how this debt is forecast to grow over the life of the current 5-year investment programme, based on the approved Capital Programme set out in section 3 above, the estimated Capital Pipeline set out in section 4, and the forecast cumulative DSG deficit set out in section 5. Whilst the total debt figures are significant, they should be seen in the context of the Council's total asset base, which (at the close of the 2024/25 financial year) stood at a book value of over £1.5bn.

Figure 2: Forecast debt (excluding PFI and lease liabilities) – total value of loans (£m).



The figure shows that, after factoring in the City Council's Capital Plan (both the current Capital Programme and the estimated Capital Pipeline), the level of borrowing is forecast to peak in 2028/29, before starting to reduce. This profile reflects the continuation, following a major review of the Capital Programme, of an ongoing dynamic and ambitious investment programme described in section 4 above. It also provides for an increasing focus on asset management following a period where much of the strategic need for public investment in the City has been addressed. A levelling-off, and then reduction in the council's level of capital financing debt will also support the Council's overall financial position, whilst still leaving scope for critical asset management programmes, and more modest levels of investment to support strategic priorities and ongoing major projects. The borrowing required to finance the DSG working capital position (shown in the red portion of the bar) is far more uncertain; these estimates will be affected by the forthcoming SEND White Paper and detail of the support for Local Authority SEND deficits heralded in the recent Provisional Local Government Finance Settlement.

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 through the minimum revenue provision (MRP) and loans fund repayments. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and loan repayments are set out in Table 5 overleaf; these are accounted for within the debt profile set out in Figure 2 above.

Table 5: Replacement of prior years' capital debt finance (£m)

	2025/26 forecast	2026/27 forecast	2027/28 forecast	2028/29 forecast	2029/30 forecast
Minimum revenue provision (MRP)	17.010	22.514	24.308	25.433	25.818
Loans fund repayments	0.546	0.549	0.555	0.563	0.600
<b>TOTAL</b>	<b>17.556</b>	<b>23.063</b>	<b>24.863</b>	<b>25.996</b>	<b>26.418</b>

Note: Table 5 above excludes potential MRP for DSG deficit financing from 2028/29 as this is unknown)

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 £12.891m of capital receipts in the coming financial year as set out in Table 6 below:

Table 6: Capital receipts receivable (£m)

	2025/26 forecast	2026/27 forecast	2027/28 forecast	2028/29 forecast	2029/30 forecast
Asset sales	9.804	0.492	0.000	0.450	0.000
Loans repaid and other receipts	3.087	1.341	1.117	1.162	1.196
<b>TOTAL</b>	<b>12.891</b>	<b>1.832</b>	<b>1.117</b>	<b>1.612</b>	<b>1.196</b>

The Authority's full minimum revenue provision statement is set out within the Treasury Management Strategy [[link to be inserted in final document](#)].

## 7. AFFORDABILITY – A CAPITAL STRATEGY POLICY FRAMEWORK

The CIPFA Prudential Code requires all councils to demonstrate that borrowing is affordable, prudent and sustainable. To achieve this objective, this section sets out a policy framework that the City Council will be asked to agree at its budget setting meeting in February 2026. The policy framework will be reviewed each year as part of setting the annual Capital Strategy.

As set out in section 6 above, whilst a significant proportion of the council's Capital Programme investment is funded by external grant, it could not have happened without Plymouth City Council being prepared to borrow to drive the growth and development of the City. Following the recent Capital Review, and the development of a full Capital Pipeline, Figure 2 above shows that debt is forecast to peak and then start to fall over the medium-term financial planning period. This will support the long-term affordability of the ambitious investment the City Council has undertaken in recent years. A large proportion of the Council's debt has been used to invest in income-generating assets, principally the Council's Property Regeneration Fund (PRF) portfolio which is discussed in greater detail in section 9

below. The financing of this debt is affordable because of the income it has generated, with a surplus that also supports the Council's wider revenue budget (the PRF also supports employment and the generation of business rate income, which in turn supports the financial sustainability of the City Council). We hope, following recent government announcements, that the council will also receive support for financing the DSG deficit.

Aside from the income-backed financing used to fund the PRF and other income-generating assets, and the temporary financing burden placed the Council by the DSG deficit, there is a core level of debt associated with our historic and current capital programme that will be funded from the Council's core resources for many years to come. The cost of financing this element of debt is forecast to rise over the near-term (due to the ongoing growth in the capital programme), before reducing in the longer term due to the impact of MRP. Figures 3 and 4 below show how debt financing costs for each element of debt (income-backed financing, DSG deficit financing and core debt) are forecast to grow, in absolute terms, and as a proportion of the Council's core (net revenue) resources.

Figure 3 – forecast debt financing costs (£m).

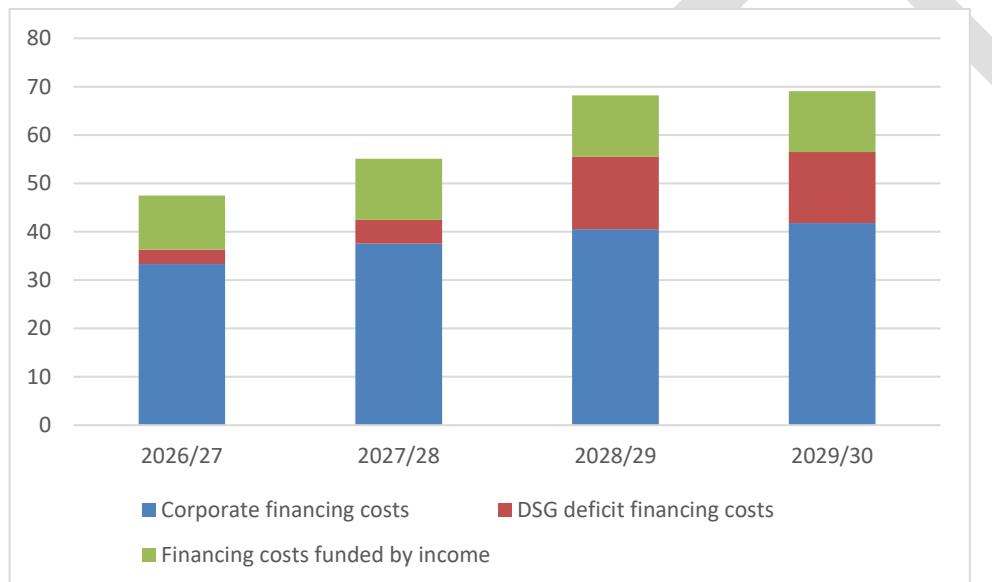
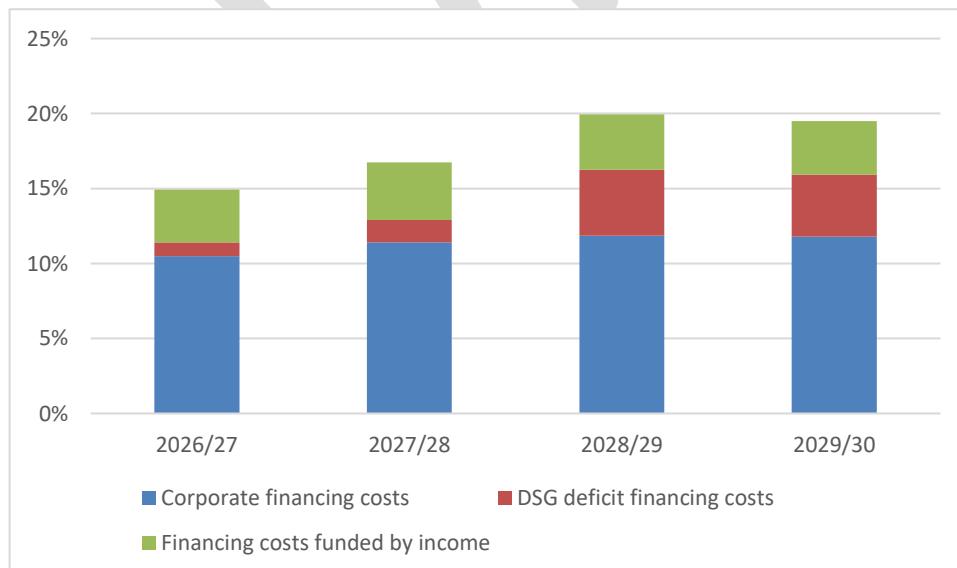


Figure 4 – forecast debt financing costs expressed as a % of forecast Net Revenue Budget.



## Local Policy Framework: Capital Strategy principles

The objectives of the Council's Capital Strategy are to enable investment that:

- supports the delivery of the City Council's strategic objectives,
- ensures existing assets are proactively maintained or replaced where necessary, and
- is affordable and does not over-expose the City Council to financial risk.

The following Capital Strategy principles have been developed to balance the need to improve proactive asset management of existing assets with investment in new infrastructure and regeneration, within an affordable capital programme. The additional burden of the Dedicated Schools Grant deficit has been considered within an affordable financial strategy for borrowing, as has the additional income provided through assets that generate revenue (e.g. the Property Regeneration Portfolio).

The principles set out here will guide the affordability and prioritisation of investment, for the period of this Capital Strategy, subject to annual review by the City Council at its budget setting meeting:

1. The Council should ensure that total debt borrowed for capital purposes (excluding funding for the DSG deficit and any other temporary, working capital requirement) remains below £900m over the 5-year life of the capital programme. This threshold excludes notional 'book' borrowing through PFI and other lease arrangements.
2. The Council will set a target cap of 12.5% as the % of revenue funding required to finance core debt (excluding the DSG deficit and income-backed debt) as a proportion of the council's core net revenue budget. The financing of DSG deficit debt and financing that is backed by ongoing income (shown in red and green respectively in Figures 3 and 4 above) will be outside of this target cap. The achievement of this target will depend on interest rate movements and the Council's borrowing strategy, and it may be reviewed in line with exceptional or unforeseen increases in the cost of borrowing. However, the Council will aim to reduce the % of core debt financing costs as a proportion of core revenue funding to a 10% threshold in the longer term and will ensure that the % starts to reduce within the next 5 years.
3. Ensure that total borrowing for capital investment (excluding DSG) levels off and starts to reduce over the life of the future 5-year programme from 2026/27 – 2030/31. In practice, this means that additional borrowing for capital purposes must be lower, over the 5-year period, than the MRP debt repayments we make over the next 5 years.
4. Within these financial parameters, the Council will prioritise funding to ensure that sufficient capital approvals are provided for ongoing programmes to prevent and address future asset failure and critical health and safety risks. Wherever possible, funding for these programmes will utilise external contributions and grants as a first call on any such available resources.
5. The Council will continue to explore opportunities to secure external funding to support investment into the City. However, to ensure that external funding supports the affordability of the Capital Programme, additional governance will be developed as part of the capital governance process set out in section 8 below. This will require that larger bids for external funding are brought into the capital governance process prior to a bid being entered into, so that implications for financial risk and affordability can be explored at an early stage.

In summary, these five principles propose that:

1. Core debt should remain below £900m over the next 5 years.

2. Core debt financing costs should be not more than 12.5% of the Council's core revenue funding, reducing within the next 5 years, with a longer-term objective to reduce to a 10% threshold.
3. Total borrowing for capital investment will start to reduce by 2030/31.
4. Within the capital programme, the Council will prioritise funding for essential maintenance.
5. Additional governance will ensure the financial risk and affordability implications of external funding bids are considered at a corporate level before a bid is submitted.

Taken together with the Prudential Code indicators set through the Council's Treasury Management Strategy, these principles will ensure that capital investment is affordable, prudent and sustainable. 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 2026-29. 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 2026/27 are affordable. However, looking forward to 2027/28 and future years there is more uncertainty, in particular over the level of demand for statutory services (and associated cost pressures). This being the case, the Local Policy Framework set out in this section will be reviewed on an ongoing basis as part of the Medium-Term Financial Planning cycle.

## 8. GOVERNANCE AND RISK MANAGEMENT

The Council has published guidance in a Capital Handbook to strengthen governance on the Capital Programme. In conjunction with the Council's Constitution, the Capital Handbook details how capital projects are approved and added into the capital programme. The Local Policy Framework and Capital Strategy Principles set out above will be incorporated into capital governance processes.

As part of its capital governance process, 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 alongside financial risks, 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 interest rates, prudential indicators and the approved borrowing strategy as set out in the Treasury Management Strategy. Treasury Management risks are set out in detail, alongside mitigating measures, in the Treasury Management Strategy [*link to be inserted into final document*].

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.

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. 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.

## 9. 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. A draft Non-Treasury Investment Strategy is included within the draft Treasury Management Strategy for the Audit and Governance Committee to consider.

The Property and Regeneration Fund portfolio, alongside historic ('legacy') commercial property investments, form an important part of the Council's overall Capital Strategy. Following a recent review, the current 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. The review (which took place in Autumn 2025) concluded that disposing of property would be detrimental to the Council's overall long-term financial position. 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.

## CONCLUSION

The Capital Strategy sets the context and framework to guide decisions on investment through the Capital Programme. It has been written to meet the requirements of CIPFA's Prudential Code and recommended best practice. 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 Plan is prudent, affordable and sustainable based on a clear five-year Capital Programme and an assessment of the Capital Pipeline. 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 further review of the Capital Programme to ensure it remains affordable.

The Audit and Governance Committee is asked to endorse this draft Capital Strategy.

## Appendix 1: 5-year Capital Programme

CAPITAL PROGRAMME (DECEMBER 2025)	2025-26	2026-27	2027-28	2028-29	2029-30	TOTAL PROGRAMME 2025-30	Capital Receipts	Corporate Borrowing	Service & External Borrowing	Grants	Contribns.	\$106 / CIL	Revenue	Total Funding
	Latest Forecast £m	£m	£m	£m	£m	£m	£m	£m	£m	£m				
<b>TOTAL CHILDREN'S SERVICES</b>	3.719	0.935	0.410	-	-	5.064	-	0.009	2.382	2.608	0.002	0.058	0.005	5.064
<b>TOTAL ADULTS &amp; COMMUNITY SERVICES</b>	15.421	9.968	1.904	-	-	27.293	0.790	1.977	12.320	11.792	0.400	-	0.014	27.293
<b>TOTAL PUBLIC HEALTH</b>	0.478	-	-	-	-	0.478	-	0.423	-	0.055	-	-	-	0.478
<b>TOTAL CUSTOMERS AND COMMUNITIES</b>	5.168	2.442	0.100	0.101	-	7.811	-	5.731	2.055	-	-	-	0.025	7.811
<b>ECONOMIC DEVELOPMENT</b>	38.067	32.403	34.920	8.160	0.266	113.816	1.024	25.187	28.907	58.170	0.528	-	-	113.816
<b>STREET SERVICES</b>	20.295	8.551	0.222	0.212	0.247	29.527	0.301	10.351	7.835	9.568	0.156	1.262	0.054	29.527
<b>STRATEGIC PLANNING &amp; INFRASTRUCTURE</b>	62.362	59.639	11.527	1.933	0.275	135.736	16.137	33.025	12.100	62.122	1.202	11.010	0.140	135.736
<b>TOTAL PCC CAPITAL PROGRAMME</b>	<b>145.510</b>	<b>113.938</b>	<b>49.083</b>	<b>10.406</b>	<b>0.788</b>	<b>319.725</b>	<b>18.252</b>	<b>76.703</b>	<b>65.599</b>	<b>144.315</b>	<b>2.288</b>	<b>12.330</b>	<b>0.238</b>	<b>319.725</b>
CAPITAL PROGRAMME (DECEMBER 2025)	2025-26	2026-27	2027-28	2028-29	2029-30	TOTAL PROGRAMME 2025-30	Capital Receipts	Corporate Borrowing	Service & External Borrowing	Grants	Contribns.	\$106 / CIL	Revenue	Total Funding
	Latest Forecast £m	£m	£m	£m	£m	£m	£m	£m	£m	£m				
Children's Services - Residential Homes	1.282	0.300	0.410	-	-	1.992	-	-	1.992	-	-	-	-	1.992
Children's Services - other social care	0.157	0.291	-	-	-	0.448	-	-	0.390	-	-	0.058	-	0.448
Children's Services - SEND sufficiency	1.545	0.205	-	-	-	1.750	-	-	-	1.750	-	-	-	1.750
Children's Services - other education / early years	0.735	0.139	-	-	-	0.874	-	0.009	-	0.858	0.002	-	0.005	0.874
<b>TOTAL CHILDREN'S SERVICES</b>	<b>3.719</b>	<b>0.935</b>	<b>0.410</b>	<b>-</b>	<b>-</b>	<b>5.064</b>	<b>-</b>	<b>0.009</b>	<b>2.382</b>	<b>2.608</b>	<b>0.002</b>	<b>0.058</b>	<b>0.005</b>	<b>5.064</b>
Adults & Community Services - Meadow View	6.442	3.909	1.904	-	-	12.255	0.790	0.469	10.546	0.450	-	-	-	12.255
Adults & Community Services - The Royal Building	0.048	-	-	-	-	0.048	-	-	0.048	-	-	-	-	0.048
Adults & Community Services - Family Hubs / Youth & Community centres	1.602	-	-	-	-	1.602	-	1.508	-	0.080	-	-	-	1.602
Adults & Community Services - Disabled Facilities	4.496	0.300	-	-	-	4.796	-	-	-	4.396	0.400	-	-	4.796
Adults & Community Services - Dispersed Temporary Housing Programme	-	5.000	-	-	-	5.000	-	-	-	5.000	-	-	-	5.000
Adults & Community Services - Other housing / homelessness	2.683	0.123	-	-	-	2.806	-	-	0.940	1.866	-	-	-	2.806
Adults & Community Services - Eclipse project	0.150	0.636	-	-	-	0.786	-	-	0.786	-	-	-	-	0.786
<b>TOTAL ADULTS &amp; COMMUNITY SERVICES</b>	<b>15.421</b>	<b>9.968</b>	<b>1.904</b>	<b>-</b>	<b>-</b>	<b>27.293</b>	<b>0.790</b>	<b>1.977</b>	<b>12.320</b>	<b>11.792</b>	<b>0.400</b>	<b>-</b>	<b>0.014</b>	<b>27.293</b>
Public Health - the Park Crematorium	0.247	-	-	-	-	0.247	-	0.247	-	-	-	-	-	0.247
Public Health - Foulson Park and other leisure	0.231	-	-	-	-	0.231	-	0.176	-	0.055	-	-	-	0.231
<b>TOTAL PUBLIC HEALTH</b>	<b>0.478</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.478</b>	<b>-</b>	<b>0.423</b>	<b>-</b>	<b>0.055</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.478</b>
Customers & Communities - ICT Device Replacement	0.858	0.070	0.100	0.101	-	1.129	-	1.129	-	-	-	-	-	1.129
Customers & Communities - i-Trent	0.273	-	-	-	-	0.273	-	0.273	-	-	-	-	-	0.273
Customers & Communities - Delt 'Lights on' infrastructure	0.280	0.418	-	-	-	0.698	-	0.698	-	-	-	-	-	0.698
Customers & Communities - Other ICT	0.983	1.302	-	-	-	2.285	-	0.398	1.887	-	-	-	-	2.285
Customers & Communities - FM Asset Management & Maintenance	2.433	0.608	-	-	-	3.041	-	3.041	-	-	-	-	-	3.041
Customers & Communities - Public Toilets	0.139	0.044	-	-	-	0.183	-	0.158	-	-	-	-	0.025	0.183
Customers & Communities - Accommodation Strategy	0.202	-	-	-	-	0.202	-	0.034	0.168	-	-	-	-	0.202
<b>TOTAL CUSTOMERS AND COMMUNITIES</b>	<b>5.168</b>	<b>2.442</b>	<b>0.100</b>	<b>0.101</b>	<b>-</b>	<b>7.811</b>	<b>-</b>	<b>5.731</b>	<b>2.055</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.811</b>

CAPITAL PROGRAMME (DECEMBER 2025)	2025-26	2026-27	2027-28	2028-29	2029-30	TOTAL	Capital Receipts £m	Corporate Borrowing £m	Service & External Borrowing £m	Grants £m	Contribns. £m	S106 / CIL £m	Revenue £m	Total Funding £m
	Latest Forecast £m	Latest Forecast £m	Latest Forecast £m	Latest Forecast £m	Latest Forecast £m	PROGRAMME 2025-30 £m								
Growth (Climate Emergency) - CM Solar Farm	0.050	12.085	-	-	-	12.135	-	-	12.095	-	-	-	0.040	12.135
Growth (Climate Emergency) - District Heating scheme	0.085	1.041	0.400	0.275	0.275	2.076	-	-	-	1.574	-	0.502	-	2.076
Growth (Climate Emergency) - Electric Charging Infrastructure (LEVI)	0.168	-	-	-	-	0.168	-	0.168	-	-	-	-	-	0.168
Growth (Climate Emergency) - PCC Estate Decarbonisation	0.544	1.869	0.415	-	-	2.828	-	0.286	0.005	2.537	-	-	-	2.828
Growth (Climate Emergency) - Home Energy / Warm Homes	0.482	1.123	3.977	-	-	5.582	-	-	-	5.582	-	-	-	5.582
<b>TOTAL GROWTH (CLIMATE EMERGENCY)</b>	<b>1.329</b>	<b>16.118</b>	<b>4.792</b>	<b>0.275</b>	<b>0.275</b>	<b>22.789</b>	<b>-</b>	<b>0.454</b>	<b>12.100</b>	<b>9.693</b>	<b>-</b>	<b>0.502</b>	<b>0.040</b>	<b>22.789</b>
Growth (Transport) - Woolwell to the George	9.346	12.468	5.111	-	-	26.925	-	10.622	-	9.346	-	6.957	-	26.925
Growth (Transport) - Manadon	4.023	12.932	-	-	-	16.955	-	2.059	-	14.896	-	-	-	16.955
Growth (Transport) - Charlton Road	0.692	1.171	-	-	-	1.863	-	1.687	-	0.176	-	-	-	1.863
Growth (Transport) - Other Strategic Transport schemes	1.941	7.144	-	-	-	9.085	-	2.019	-	6.224	-	0.842	-	9.085
Growth (Transport) - Bus grants (ZEBRA & other)	10.747	2.469	-	-	-	13.216	-	-	-	11.560	1.181	0.375	0.100	13.216
Growth (Transport) - Eastern Corridor Cycle network	1.218	2.021	0.511	-	-	3.750	-	-	-	2.082	-	1.668	-	3.750
Growth (Transport) - Other active travel schemes	0.577	0.634	-	-	-	1.211	0.010	0.004	-	1.177	0.015	0.005	-	1.211
<b>TOTAL GROWTH (TRANSPORT)</b>	<b>28.544</b>	<b>38.839</b>	<b>5.622</b>	<b>-</b>	<b>-</b>	<b>73.005</b>	<b>0.010</b>	<b>16.391</b>	<b>-</b>	<b>45.461</b>	<b>1.196</b>	<b>9.847</b>	<b>0.100</b>	<b>73.005</b>
Growth (Other infrastructure) - Armada Way	18.255	1.167	-	-	-	19.422	7.888	11.534	-	-	-	-	-	19.422
Growth (Other infrastructure) - Royal Parade	5.515	0.404	-	-	-	5.919	-	4.399	-	1.500	-	0.020	-	5.919
Growth (Other infrastructure) - Other Public Realm / Better Places	0.227	-	-	-	-	0.227	-	0.227	-	-	-	-	-	0.227
Growth (Other infrastructure) - Flood Risk Management	3.840	-	-	-	-	3.840	-	-	-	3.840	-	-	-	3.840
Growth (Other infrastructure) - Plan for Homes	4.652	3.111	1.113	1.658	-	10.534	8.239	0.020	-	1.628	0.006	0.641	-	10.534
<b>TOTAL GROWTH (Other infrastructure)</b>	<b>32.489</b>	<b>4.682</b>	<b>1.113</b>	<b>1.658</b>	<b>-</b>	<b>39.942</b>	<b>16.127</b>	<b>16.180</b>	<b>-</b>	<b>6.968</b>	<b>0.006</b>	<b>0.661</b>	<b>-</b>	<b>39.942</b>
<b>TOTAL GROWTH (Strategic Planning and Infrastructure)</b>	<b>62.362</b>	<b>59.639</b>	<b>11.527</b>	<b>1.933</b>	<b>0.275</b>	<b>135.736</b>	<b>16.137</b>	<b>33.025</b>	<b>12.100</b>	<b>62.122</b>	<b>1.202</b>	<b>11.010</b>	<b>0.140</b>	<b>135.736</b>

CAPITAL PROGRAMME (DECEMBER 2025)	2025-26	2026-27	2027-28	2028-29	2029-30	TOTAL PROGRAMME 2025-30 £m	Capital Receipts £m	Corporate Borrowing £m	Service & External Borrowing £m	Grants £m	Contribns. £m	S106 / CIL £m	Revenue £m	Total Funding £m
	Latest Forecast £m	Latest Forecast £m	Latest Forecast £m	Latest Forecast £m	Latest Forecast £m									
Growth (Economic Dev.) - Freeport programme	14.268	4.304	4.012	-	-	22.584	-	-	4.013	18.571	-	-	-	22.584
Growth (Economic Dev.) - Civic Centre	5.575	9.357	23.525	7.904	-	46.361	-	16.757	2.971	26.633	-	-	-	46.361
Growth (Economic Dev.) - Guildhall	3.724	-	-	-	-	3.724	-	1.309	0.193	2.222	-	-	-	3.724
Growth (Economic Dev.) - West End redevelopment	0.876	2.519	-	-	-	3.395	-	0.486	2.492	0.417	-	-	-	3.395
Growth (Economic Dev.) - Railway Station redevelopment	0.064	0.018	0.156	0.095	0.258	0.591	0.568	-	-	-	0.023	-	-	0.591
Growth (Economic Dev.) - PRF Embankment Road	0.030	6.931	6.961	-	-	13.922	-	-	13.922	-	-	-	-	13.922
Growth (Economic Dev.) - other PRF schemes	3.628	2.854	-	-	-	6.482	-	-	5.301	1.181	-	-	-	6.482
Growth (Economic Dev.) - National Marine Park	7.982	4.218	0.248	0.153	-	12.601	-	4.168	-	7.933	0.500	-	-	12.601
Growth (Economic Dev.) - other regeneration schemes	1.289	2.173	-	-	-	3.462	-	2.467	0.015	0.980	-	-	-	3.462
Growth (Economic Dev.) - Investment Fund & UKSPF	0.446	0.029	0.018	0.008	0.008	0.509	0.290	-	-	0.219	-	-	-	0.509
Growth (Economic Dev.) - Mount Edgcumbe	0.185	-	-	-	-	0.185	0.166	-	-	0.014	0.005	-	-	0.185
<b>TOTAL GROWTH (ECONOMIC DEV.)</b>	<b>38.067</b>	<b>32.403</b>	<b>34.920</b>	<b>8.160</b>	<b>0.266</b>	<b>113.816</b>	<b>1.024</b>	<b>25.187</b>	<b>28.907</b>	<b>58.170</b>	<b>0.528</b>	-	-	<b>113.816</b>
Growth (Highways) - Highways Structural Maintenance	0.548	0.500	-	-	-	1.048	-	1.048	-	-	-	-	-	1.048
Growth (Highways) - Highways Carrraigeway & Footway Maintenance	6.480	-	-	-	-	6.480	-	1.972	-	4.493	0.015	-	-	6.480
Growth (Highways) - Signals, Lighting & Other Highways Maintenance	3.991	2.000	-	-	-	5.991	-	4.551	0.630	0.558	0.115	0.137	-	5.991
Growth (Highways) - Safety & Other Minor Highways schemes	0.550	0.581	-	-	-	1.131	-	0.816	-	0.271	-	0.044	-	1.131
Growth (Highways) - Living Streets	0.164	0.139	-	-	-	0.303	-	0.303	-	-	-	-	-	0.303
Growth (Highways) - Highway CCTV	0.077	-	-	-	-	0.077	-	0.061	-	0.016	-	-	-	0.077
Growth (Highways) - Parking	0.272	-	-	-	-	0.272	-	-	0.264	-	-	0.008	-	0.272
<b>TOTAL GROWTH (HIGHWAYS)</b>	<b>12.082</b>	<b>3.220</b>	-	-	-	<b>15.302</b>	-	<b>8.751</b>	<b>0.894</b>	<b>5.338</b>	<b>0.130</b>	<b>0.189</b>	-	<b>15.302</b>
Growth (Waste & Environment) - Food Waste	2.211	0.077	0.008	-	-	2.296	-	-	0.354	1.942	-	-	-	2.296
Growth (Waste & Environment) - Vehicle, Container & Plant replacement	2.753	3.673	0.190	0.190	0.227	7.033	0.033	0.381	6.565	-	-	-	0.054	7.033
Growth (Waste & Environment) - Chelston Meadow maintenance / upgrade	0.245	-	-	-	-	0.245	-	0.245	-	-	-	-	-	0.245
Growth (Waste & Environment) - Plymouth & South Devon Comm. Forest	1.309	-	-	-	-	1.309	-	-	-	1.290	0.019	-	-	1.309
Growth (Waste & Environment) - Ocean City Biodiversity Loan	0.150	0.350	-	-	-	0.500	-	0.500	-	-	-	-	-	0.500
Growth (Waste & Environment) - Other Nature & Trees (incl. VIMS)	0.521	0.222	0.024	0.022	0.020	0.809	-	0.065	0.022	0.493	-	0.229	-	0.809
Growth (Waste & Environment) - Derriford Park Improvements	0.407	0.419	-	-	-	0.826	-	-	-	0.382	-	0.444	-	0.826
Growth (Waste & Environment) - Central Park Improvements	0.521	-	-	-	-	0.521	-	0.389	-	0.027	-	0.159	-	0.521
Growth (Waste & Environment) - other Parks, Pitches & Play Equipment	0.096	0.590	-	-	-	0.686	0.268	0.020	-	0.150	0.007	0.241	-	0.686
<b>TOTAL GROWTH (WASTE &amp; ENVIRONMENT)</b>	<b>8.213</b>	<b>5.331</b>	<b>0.222</b>	<b>0.212</b>	<b>0.247</b>	<b>14.225</b>	<b>0.301</b>	<b>1.600</b>	<b>6.941</b>	<b>4.230</b>	<b>0.026</b>	<b>1.073</b>	<b>0.054</b>	<b>14.225</b>
<b>TOTAL GROWTH (STREET SERVICES)</b>	<b>20.295</b>	<b>8.551</b>	<b>0.222</b>	<b>0.212</b>	<b>0.247</b>	<b>29.527</b>	<b>0.301</b>	<b>10.351</b>	<b>7.835</b>	<b>9.568</b>	<b>0.156</b>	<b>1.262</b>	<b>0.054</b>	<b>29.527</b>

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# Audit and Governance Committee



Date of meeting:	20 January 2026
Title of Report:	<b>Draft Treasury Management Strategy 2026/27</b>
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Service Director for Finance)
Authors:	Wendy Eldridge
Contact Email:	Wendy.Eldridge@plymouth.gov.uk
Your Reference:	Finance/WE/TMS Draft 2026-27
Key Decision:	No
Confidentiality:	Part I - Official

## Purpose of Report

This report sets out the Council's Draft Treasury Management Strategy for 2026/27, including a Draft Non-Treasury Investment Strategy and a Draft Minimum Revenue Provision (MRP) Policy. The Treasury Management Strategy sets out a policy framework and a set of Prudential Code Indicators to guide decisions on the Council's borrowing and investments. The Non-Treasury Investment Strategy sets out a policy framework for the Council's Non-Treasury Investments (principally, the Council's Property Regeneration Portfolio). The Council is required to set a policy on its Minimum Revenue Provision as part of each annual budget setting cycle. The final Treasury Management Strategy will go forward to the City Council as part of the Annual Revenue and Capital budget setting report, and Audit and Governance Committee are being asked to consider the proposals at a formative stage.

## Recommendations and Reasons

- I. The Audit and Governance Committee are recommended to note and comment on the Draft Treasury Management Strategy, considering any recommendations Committee may wish to make to Cabinet, who will consider a final version of the Strategy at its meeting in February.

*Reason: Setting an annual Treasury Management Strategy is good financial management practice and a statutory requirement for the Council.*

## Alternative options considered and rejected

- I. It is a statutory requirement under the Local Government Act 2003 and supporting regulations to set an annual Treasury Management Strategy.

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

Effective financial management is fundamental to the delivery of Corporate Plan and Plymouth Plan objectives. Treasury Management has a significant impact on the Council's activity both in revenue budget terms and the financing of investment in the City's Capital Programme.

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

Borrowing and investment activity affect the Council's budget, and Treasury Management risks represent one of the more significant areas of financial risk inherent in the Council's Medium Term Financial Plan.

The Treasury Management Strategy is a key component of the Council's financial strategy, and will form part of a suite strategies which provide a holistic view of the Council's financial planning framework. This document should be considered in conjunction with the Council's annual Medium-Term Financial Strategy and Capital Strategy.

## Financial Risks

Treasury Management and investment activity carries inherent financial risk. The Council's Treasury Management Strategy (including the Non-Treasury Investment Strategy) is a key risk management tool, setting a statutory policy framework and financial indicators to ensure that the Council's borrowing and investment activities are sustainable and prudent.

## Legal Implications

The Council is required to operate a balanced budget and must ensure that its capital and treasury management plans are affordable, prudent and sustainable. The Treasury Management Strategy 2026/27 has been prepared in accordance with the Local Government Act 2003, which places a statutory duty on local authorities to "have regard to" the CIPFA Treasury Management Code and the Prudential Code for Capital Finance in Local Authorities. The Strategy also reflects the requirements of the Ministry of Housing, Communities and Local Government (MHCLG) statutory guidance on Local Government Investments (2018) and the updated Minimum Revenue Provision (MRP) statutory guidance issued in April 2024, which the Council must follow when setting its annual MRP Statement.

Approval of the Treasury Management Strategy, Prudential Indicators, and the MRP Statement is a legal requirement and must be determined by Full Council before the start of the financial year. The Audit and Governance Committee is asked to review and comment on the Strategy to support assurance on compliance with statute, guidance and the Council's own Financial Regulations.

Failure to comply with statutory guidance or the Prudential Code could result in external audit recommendations, government intervention, or limitations on the Council's ability to access borrowing from the Public Works Loan Board (PWLB). Adoption and implementation of this Strategy therefore supports the Council's legal compliance, financial resilience and proper administration of its financial affairs under section 151 of the Local Government Act 1972.

## Carbon Footprint (Environmental) Implications:

There are no direct carbon footprint or environmental implications 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.*

There are no direct other implications arising from this report.

## Appendices

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable)						
		1	2	3	4	5	6	7
A	Draft Treasury Management Strategy							

## Background papers:

Title of any background paper(s)	Exemption Paragraph Number (if applicable)							
None	<p><i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i></p> <table border="1" data-bbox="747 260 1325 289"> <tr> <td data-bbox="754 260 819 287">1</td><td data-bbox="819 260 884 287">2</td><td data-bbox="884 260 948 287">3</td><td data-bbox="948 260 1013 287">4</td><td data-bbox="1013 260 1078 287">5</td><td data-bbox="1078 260 1143 287">6</td><td data-bbox="1143 260 1208 287">7</td></tr> </table>	1	2	3	4	5	6	7
1	2	3	4	5	6	7		

## Sign off:

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Originating Senior Leadership Team member: David Northey, Service Director - Finance

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

Date agreed: 12/01/2026

Cabinet Member approval: Approved verbally.

Date approved: 09/01/2026

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# **Draft Treasury Management Strategy**

## **2026/27**



DRAFT

## **Councillor Mark Lowry**

This strategy sets out a framework of controls that provides assurance for the way the City Council manages its investments and borrowing.

It demonstrates Plymouth City Council's commitment to sound management and control of the Council's cash and investments and forms a key strand of the Medium-Term Financial Strategy and Budget. In doing so, the strategy provides a strong foundation which underpins the Council's ambitious investments in the future of Plymouth.

### **Interim Service Director for Finance (S151 Officer)**

The Treasury Management Strategy sets out a framework within which the Council's treasury management requirements and risks can be managed successfully.

The uncertain outlook for financial markets and the world economy impacts upon borrowing and investment rates of interest. This Strategy will help support the council in responding to this volatility in the short to medium term.

The strategy will ensure that Plymouth City Council stays within the limits prescribed under CIPFA's Prudential Code for Capital Finance and complies with other areas of national guidance relating to Treasury Management and related activity.

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# SECTION I: 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 – FACTS AT A GLANCE

#### Principles and Objectives of the Treasury Management Strategy

- To achieve the best secure investment returns (a target rate of 3.75% has been set for 2026/27)
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles
- To balance risk against return

#### Market Intelligence

- Bank of England reports
- Market advice, credit ratings and other information from the Council's advisers Arlingclose.

#### Investments

- Sterling only
- 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).

#### Counterparties and Limits (see table on page 14)

#### Investment Limits – subject to Counterparty table on page 20

- **Unlimited** UK Government
- **Unlimited** Money Market Fund and up to £15m per individual fund to a maximum limit up to 0.5% total fund value.
- **£25m** any single local authority or government entity
- **£10m** per Bank (unsecured)
- **£20m** unrated corporates
- **£60m** Strategic Pooled Funds

#### Statutory and Performance Framework

Rules that guide us

#### Approach

**Hierarchy of objectives** - Security first, then liquidity and then Yield.

*Choices made within the framework*

**Risk Assessment and credit rating** - 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. Market intelligence from our advisors may give warnings before credit warning changes e.g., credit default swaps information.

## BORROWING – FACTS AT A GLANCE

### Principles and Objectives of the Treasury Management Strategy

- To minimise the cost of borrowing (a target rate of 4.5% has been set for medium/long-term borrowing and 4% short term borrowing)
- To achieve a balanced spread of maturities and commitments
- To achieve the right mix of borrowing vehicles

### Market Intelligence

- Bank of England reports
- Market outlook, debt restructuring advice and technical support from the Council's advisers Arlingclose.

### Borrowing requirements – key assumptions and limits for 2026/27

- **£114m** Total Capital Expenditure in 2026/27 of which financed by £52m external borrowing, with an allowance for further borrowing of £38m to support known capital pipeline need.
- **£961m** Capital Finance Requirement (underlying need to borrow)
- **£936m** assumed total debt (financing required in 2026/27 of which £98m borrowing to fund the forecast DSG deficit.
- **£1022m** Operational Boundary (practical ceiling on borrowing)
- **£1072m** The Authorised Limit (absolute maximum debt approved)

### Key Prudential & Treasury Management Indicators

- **17.0%** Ratio of finance costs to net revenue stream (statutory definition of borrowing costs as a proportion of net revenue resources)
- **10.5%** Ratio of core finance costs to net revenue stream (local indicator measuring compliance with Capital Strategy policy framework)
- **100%** Limit on Fixed Interest Rate exposure
- **25%** 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 over-exposure to refinancing risks – see page 19 for further details.

### Minimum Revenue Provision Policy (MRP)

- Annuity Method
- PFI/Leases can be charged on an annuity method over the life of the asset.
- Option for capital receipts to be used towards repaying debt

<p><b>Approach</b></p> <p><i>Choices made within the framework</i></p>	<p><b>Balanced objectives</b> - 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.</p> <p><b>Strategy</b> 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 2026/27. Mitigation of interest rate risk continues to be an important consideration thus an approach to use a mix of internal resources, short-term loans and PWLB loans under an EIP (equal instalment payment) to remain within the 2026/27 revenue provision for borrowing. EIP loans spread the risk of refinancing across the life of the loan on equal 6 monthly repayments.</p> <p><b>LOBOs</b> - with interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Authority will take the option to repay LOBO loans to reduce refinancing risk in later years</p> <p><b>Debt Restructuring</b> - 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. A present value calculation based on current rates for the same period of loan may result in a discount or premium. The council will re-schedule debt if it reduces cost/risk or offers essential revenue saving options that are required to balance the revenue budget position.</p>
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### 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:** The most significant impacts on the Authority's treasury management strategy for 2026/27 are expected to include: the influence of the government's 2025 Autumn Budget, lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues. The Bank of England's Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage. Figures from the Office for National Statistics showed that the UK economy expanded by 0.1% in the third quarter of the calendar year, this was unrevised from the initial estimate. The final Treasury Management Strategy for 2026/27 taken to full council in February 2026 will include any further updates as appropriate.

### Interest Rate Forecast

Interest rate forecast (22<sup>nd</sup> December 2025): Arlingclose, the Authority's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate in 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications, and following the Bank of England Monetary Policy Committee meeting held on 18<sup>th</sup> December.

Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.

A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.

## 4. Context – the Council's Capital Financing Requirements

On 31 December 2025, Plymouth City Council held £757.032m of borrowing and £160.830m 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 2025 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	2025/26 Forecast £m	2026/27 Forecast £m	2027/28 Forecast £m	2028/29 Forecast £m	2029/30 Forecast £m
Forecast of in-year Capital Expenditure (General Fund only)	145.510	113.938	49.083	10.406	0.788
<b>Total Expenditure</b>	<b>145.510</b>	<b>113.938</b>	<b>49.083</b>	<b>10.406</b>	<b>0.788</b>
Capital Receipts	10.872	4.163	1.189	1.762	0.266
Grants and Contributions	80.751	58.094	17.209	0.295	0.296
Revenue	2.511	0.015	0.000	0.000	0.000
Borrowing	51.376	51.666	30.685	8.349	0.226
Leasing and PFI	0.000	0.000	0.000	0.000	0.00
<b>Total Financing</b>	<b>145.510</b>	<b>113.938</b>	<b>49.083</b>	<b>10.406</b>	<b>0.788</b>

#### 4.2. Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. It is essentially the total amount of capital expenditure that has not yet been financed by grants, capital receipts or revenue contributions. 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. A key point is that this is an **accounting measure** and not the actual amount borrowed.

It reflects the theoretical level of debt needed to fund capital assets.

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

Capital Financing Requirement	31 Mar 25 Actual £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m	31 Mar 28 Forecast £m	31 Mar 29 Forecast £m
Forecast CFR (General Fund only)	869.464	900.920	960.562	998.685	1001.807
<b>Total CFR</b>	<b>869.464</b>	<b>900.920</b>	<b>960.562</b>	<b>998.685</b>	<b>1001.807</b>

The Council has an increasing CFR, which is forecast to rise by £100.887m over the next three years through the element of capital programme investment not externally financed by grants, capital receipts and contributions.

#### 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.

Dedicated Schools Grant (DSG) deficits arise when spending on schools and high-needs provision exceeds the DSG allocation and are revenue in nature which will require the cashflow impact from the deficit to be financed either through financial reserves or additional borrowing. The council is following existing statutory guidance and regulations on DSG deficit accounting, with the statutory override in place until 2027–28; further guidance is expected in early 2026. In the meantime, borrowing forecasts below include provision for the Council's need to borrow to finance the DSG deficit.

The Treasury Management mid-year report presented to Audit & Governance committee on 18 November 2025 highlighted the impact of borrowing to finance the DSG deficit.

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

Debt	31 Mar 25 Actual £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m	31 Mar 28 Forecast £m	31 Mar 29 Forecast £m
Borrowing	702.532	798.295	935.714	1053.019	1053.502
Other long-term liabilities (including PFI liabilities & Finance Leases)	99.153	92.828	86.611	80.490	74.369
<b>Total Debt</b>	<b>801.685</b>	<b>891.123</b>	<b>1022.325</b>	<b>1133.509</b>	<b>1127.871</b>

The table below adjusts the borrowing figures above for the impact of the DSG deficit:

DSG Deficit	18.498	54.261	98.475	168.369	159.951
<b>Borrowing excluding DSG Deficit</b>	684.034	744.034	837.239	884.650	885.134

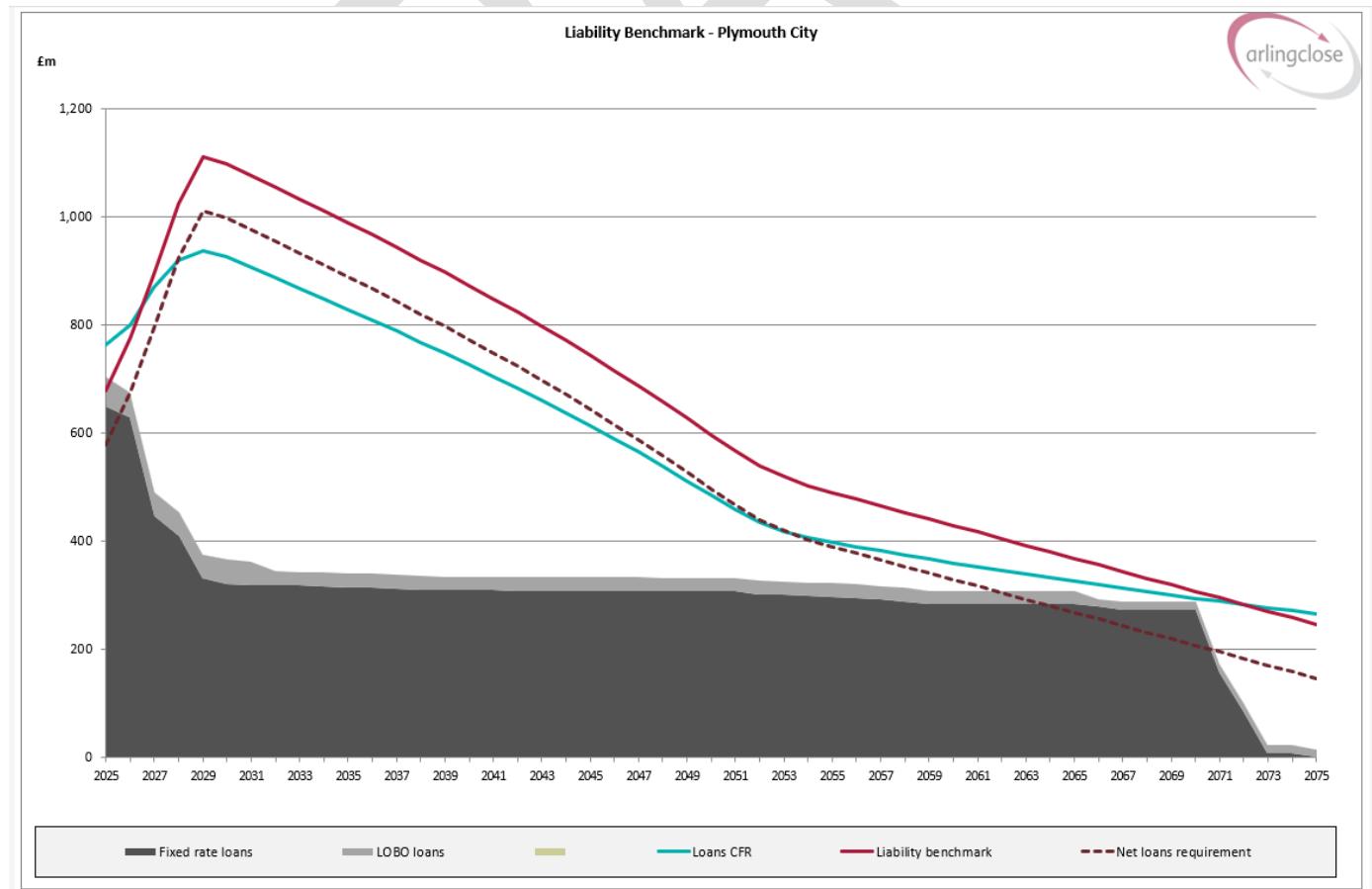
CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. The table above shows that excluding the impact of the DSG deficit borrowing, forecasts will be lower than CFR.

#### 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 approved capital expenditure funded by borrowing across 5-year capital programme of £142.302m, minimum revenue provision on new capital expenditure based on an average 20- or 25-year asset life (as appropriate) and income, expenditure and reserves all increasing by inflation of 2.5% a year. The potential capital pipeline borrowing requirements are not included in the calculations of the liability benchmark shown in the chart below.

The liability benchmark chart demonstrates that the Council is likely to be a long-term borrower. On the basis of approved 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 31 December 2025, Plymouth City Council held £748.7m of loans, an increase of £46.2m from 1 April 2025, 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), and through the use of PWLB Equal Instalment of Principal (EIP) repayment financing products, a strategy which has been recommended by the Council's Treasury Management advisors and approved by the Treasury Management Board.

By doing so, the City Council can 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 longer-term fixed rate EIP 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 2026/27 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 2026/27, the Council has assumed that new long-term loans will cost an average rate of 4.25%.

#### 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* requires Councils to set a maximum for total debt. This is the maximum the CFR is expected to reach at any time during the next three years.

After taking account of the councils known capital pipeline commitments, the Council expects to hold borrowing up to £936m in 2026/27. Including PFI and other long-term liabilities forecast at £87m, total borrowing must not exceed an **authorised limit** set by the Council of £1072m (which includes an allowance for short term cashflow borrowing requirements). Further detail on the authorised limit and other Prudential Indicators is set out in section 6 below.

The council will 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 Capital Strategy and Medium-Term Financial Plan for the period 2026-29.

### 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 Authority holds £44m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost.

There have been a further two £5m calls in 2025/26 as more cost effective to repay compared to option of accepting new rates of 6.33% and 6.47% respectively. Opportunities to repay any future LOBO obligations will be considered when it can be demonstrated to be cost effective. A total £20m has been repaid in 2024/25 and 2025/26.

There are no further LOBO call in options during 2025/26, and one £5m LOBO call in on 3 September 2026 currently held at a 4.20%. If the option is exercised then the Authority will consider the option to repay LOBO loans to reduce refinancing risk in later years.

### 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 1 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.

The council will re-schedule debt if it reduces cost/risk or offers essential revenue saving options that are required to balance the revenue budget position.

## 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 2026/27.

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. These investments have out-performed other investment returns through both annual dividends received quarterly in arrears and the fair value of the investment as at 31 December 2025 exceeding the value of the original investment.

In its budget assumptions for 2026/27, the Council has assumed that investments will return at an average interest rate of **3.75%**. This interest rate excludes returns through capital appreciation, where the council is currently in a positive position. However, the council will be reviewing its investments during 2026/27 to ensure that holding funds remains appropriate.

## 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 extended the backstop for forthcoming changes to the accounting treatment for certain strategic pooled fund investments; however, the changes (which will take effect from April 2029) will affect how the Council's pooled fund investments impact on the general fund revenue position. As noted in paragraph 6.1 above, the pooled fund investments will be reviewed ahead of the changes taking effect, 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.

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

Table 6.2: Investment limits	Time Limit	Counterparty Limit	Sector limit
Building Societies (unsecured) *	13 months	£5m	£10m
Registered providers (unsecured) *	3 years	£5m	£10m
Money Market Funds *	n/a	£15m	Unlimited
Strategic pooled funds	n/a	£25m	£60m
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

\* 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 through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than AAA- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances should be kept below £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 paragraph 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 meet 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.

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## 7. Treasury Management and Prudential Indicators

### 7.1. 2026/27 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. These indicators will be used by the Council to govern its Capital Investment decisions alongside the Local Policy Framework and Capital Strategy Principles set out in the Capital Strategy [link in final document].

#### 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. The focus of the operational boundary will be on the Council's external debt shown on the first table below however the tables also include other long-term liabilities (such as PFI and finance lease debt), which for accounting purposes and to comply with the CIPFA code are included in the table below.

Operational Boundary	31 Mar 25 Actual £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m	31 Mar 28 Forecast £m	31 Mar 29 Forecast £m
Borrowing	702.532	798.295	935.714	1053.019	1053.502
Other long term liabilities	99.153	92.828	86.611	80.490	74.369
<b>Total liabilities</b>	<b>801.685</b>	<b>891.123</b>	<b>1022.325</b>	<b>1133.509</b>	<b>1127.871</b>

#### 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	31 Mar 25 Actual £m	31 Mar 26 Forecast £m	31 Mar 27 Forecast £m	31 Mar 28 Forecast £m	31 Mar 29 Forecast £m
Borrowing	702.532	843.295	980.714	1098.019	1098.502
Other long term liabilities	99.153	97.828	91.611	85.490	79.369
<b>Total liabilities</b>	<b>801.685</b>	<b>941.123</b>	<b>1072.325</b>	<b>1183.509</b>	<b>1177.871</b>

### 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. For the 2026/27 Treasury Management Strategy we are setting out two separate indicators. The first indicator uses the statutory definition prescribed by the CIPFA Prudential Code, and is set out in the first table below (noting the impact of the DSG deficit) for the 2024/25, 2025/26, 2026/27 and subsequent two financial years. The second indicator, set out in the second table below, uses a locally-developed definition which aligns with the Council's Capital Strategy policy framework. This is being adopted from 2026/27 onwards, and so is set out for that financial year and the subsequent two years only (again, the impact of the DSG deficit is noted).

Ratio of Financing Costs to Net Revenue Stream (Statutory indicator)	2024/25 Actual	2025/26 Forecast	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Financing costs (£m) incl DSG deficit borrowing costs	43.480	47.822	53.999	62.037	75.098
Proportion of net revenue stream – all financing costs*	18.4%	18.9%	17.0%	18.9%	22.0%
Note: element of financing costs above relating to DSG deficit	<0.5%	0.5%	0.9%	1.5%	4.4%

\* Note that the statutory definition for this indicator sets out a requirement that all financing costs are included. The table above therefore includes financing costs for income-generating assets that are funded by income additional to the Net Revenue Budget, DSG Deficit financing costs, and notional financing costs assigned to long term liabilities such as PFI and Finance Leases within the calculation.

Ratio of Financing Costs to Net Revenue Stream (Local indicator)	2024/25 Actual	2025/26 Forecast	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Core financing costs (£m)*			33.339	37.529	40.792
Proportion of net revenue stream – core financing costs			10.5%	11.4%	11.9%
Note: Capital Strategy: Local Policy Framework Upper Threshold			12.5%	12.5%	12.5%
Note: additional financing costs relating to DSG deficit			0.9%	1.5%	4.4%

\* Core financing costs are defined in the Council's Capital Strategy. They include all elements of the Council's Capital Financing budget (including Service Borrowing where this has not been utilised to finance income-generating assets), but excludes the costs of financing the DSG deficit, and the costs of financing income-generating assets.

### 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=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit rating	A

### 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:

	2025/26	2026/27	2027/28	2028/29
Upper limit on fixed interest rate exposure	100%	100%	100%	100%
Upper limit on variable interest rate exposure	25%	20%	15%	15%

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	35%	10%
12 months and within 24 months	25%	5%
24 months and within 5 years	25%	5%
5 years and within 10 years	15%	0%
10 years and above	45%	25%

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:

	2025/26	2026/27	2027/28
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 long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income over the medium term	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest 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 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). 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.

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## 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 2026/27 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 2026/27 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 2026/27, 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 1 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 future years. 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.

	2024/25 actual £m	2025/26 forecast £m	2026/27 budget £m	2027/28 budget £m	2028/29 budget £m
Total net income from service & commercial investments income excl financing costs	(11.281)	(12.443)	(12.477)	(12.609)	(13.287)
Proportion of net revenue stream	4.77%	4.92%	3.92%	3.83%	3.77%

#### 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 2026/27 financial year. It shows that the Council is not over-reliant on this income stream in the context of its overall resources.

	2026/27 Forecast
Net total revenue resources (estimate)	£318.075m
Net Investment income excl financing costs	£12.477m
Proportion	3.92%

#### 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:

1. 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 recommendation for authorisation as required by 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.

## II. Annual Minimum Revenue Provision Statement 2026/27

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.

### II.I. 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. 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 2025

### Underlying assumptions:

- The Bank of England duly delivered on expectations for a December rate cut, but, despite softer economic data over the past two weeks, the minutes highlighted increased caution surrounding both the inflation outlook and the speed of future easing. With a close vote of 5-4 in favour of a rate reduction, this suggests that the bar for further monetary easing may be higher than previously thought despite the possibility of the CPI rate falling to target in 2026.
- Budget policies and base effects will mechanically reduce the CPI rate in 2026, on top of the downward pressure arising from soft economic growth and the looser labour market. However, many policymakers appear concerned that household and business inflation and pricing expectations are proving sticky following recent bouts of high price and wage growth, which may allow underlying inflationary pressure to remain elevated. While, the Bank's measure of household expectations ticked lower in December, it remains above levels consistent with the 2% target at 3.5%.
- While policymakers hold valid concerns, these appear somewhat out of line with current conditions; CPI inflation fell to 3.2% in November, private sector wage growth continued to ease amid the highest unemployment rate since the pandemic, and the economy contracted in October after barely growing in Q3. Business surveys pointed to marginally stronger activity and pricing intentions in December but also suggested that the pre-Budget malaise was not temporary. These data are the latest in a trend suggesting challenging economic conditions are feeding into price and wage setting.
- Risks to the growth and inflation outlook lie to the downside, which may ultimately deliver lower Bank Rate than our central case. However, the minutes suggest that the bar to further rate cuts beyond 3.25% is higher and the near-term upside risks to our Bank Rate forecast have increased. Having said that, we believe inflation expectations will naturally decline alongside headline inflation rates.
- Investors appear to have given the UK government some breathing space following the Budget, with long-term yields continuing to trade at slightly lower levels than in late summer/early autumn. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

### Forecast:

- In line with Arlingclose's long-held forecast, Bank Rate was cut to 3.75% in December.
- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will continue to be loosened.
- Arlingclose expects Bank Rate to be cut to 3.25% by middle of 2026. However, near-term upside risks to the forecast have increased.
- Medium and long-term gilt yields continue to incorporate premia for UK government credibility, global uncertainty and significant issuance. These issues may not be resolved quickly and we expect yields to remain higher

	Current	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
<b>Official Bank Rate</b>													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>Central Case</b>	<b>3.75</b>	<b>3.50</b>	<b>3.25</b>										
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>3-month money market rate</b>													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>Central Case</b>	<b>3.82</b>	<b>3.55</b>	<b>3.30</b>	<b>3.35</b>	<b>3.35</b>	<b>3.35</b>	<b>3.35</b>						
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>5yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
<b>Central Case</b>	<b>3.96</b>	<b>3.85</b>	<b>3.80</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>	<b>3.80</b>	<b>3.80</b>	<b>3.80</b>	<b>3.80</b>
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>10yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
<b>Central Case</b>	<b>4.52</b>	<b>4.40</b>	<b>4.35</b>	<b>4.30</b>	<b>4.30</b>	<b>4.30</b>	<b>4.30</b>	<b>4.30</b>	<b>4.30</b>	<b>4.35</b>	<b>4.35</b>	<b>4.35</b>	<b>4.35</b>
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>20yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
<b>Central Case</b>	<b>5.16</b>	<b>5.00</b>	<b>4.95</b>	<b>4.90</b>	<b>4.90</b>	<b>4.90</b>	<b>4.90</b>	<b>4.90</b>	<b>4.90</b>	<b>4.95</b>	<b>4.95</b>	<b>4.95</b>	<b>4.95</b>
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>50yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
<b>Central Case</b>	<b>4.74</b>	<b>4.65</b>	<b>4.60</b>	<b>4.65</b>	<b>4.65</b>	<b>4.65</b>	<b>4.65</b>						
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

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**

	<b>31 Dec 2025</b> <b>Actual Portfolio</b> <b>£m</b>	<b>31 Dec 2025</b> <b>Average Rate</b> <b>%</b>
PWLB – Fixed Rate	561.7	3.40
Short-term borrowing	125.0	4.35
LOBO Loans	44.0	4.50
Long Term Borrowing	18.0	4.43
<b>Total borrowing</b>	<b>748.7</b>	<b>3.65</b>
Short-term Money Market funds	52.3	3.89
Other Pooled Funds	53.9	5.21
Cash and cash equivalents	0.5	1.25
<b>Total investments</b>	<b>106.7</b>	<b>4.52</b>
<b>Net borrowing</b>	<b>642.0</b>	

**Appendix C – Provisional Treasury Management Budget 2026/27**

<b>Position at 31 December 2025</b>	<b>2025/26 Budget</b>	<b>2025/26 Latest Forecast</b>	<b>Forecast variance</b>	<b>2026/27 Provisional Budget</b>
	£m	£m	£m	£m
LOBO and other long term loans	3.128	2.803	(0.325)	2.769
PWLB (Public Works Loan Board)	20.136	19.750	(0.386)	22.876
Temporary loans	0.923	2.383	1.460	2.750
Other Interest and charges	0.812	0.700	(0.112)	0.250
Collateral Interest	1.324	1.249	(0.075)	1.260
Recharge to Departments for Unsupported Borrowing	(19.581)	(19.508)	0.073	(19.963)
<b>Total Interest Payable</b>	<b>6.742</b>	<b>7.377</b>	<b>0.635</b>	<b>9.942</b>
Pool Funds	(2.611)	(2.817)	(0.206)	(2.750)
Money Market Fund	(1.500)	(2.624)	(1.124)	(2.250)
Other Interest	(0.431)	(0.416)	0.015	(0.774)
<b>Total Interest Receivable</b>	<b>(4.542)</b>	<b>(5.857)</b>	<b>(1.315)</b>	<b>(5.774)</b>
Other Payments/Bank Charges	0.552	0.634	0.082	0.164
Debt Management	0.160	0.160	0.00	0.160
Amortised Premiums	0.544	0.544	0.00	0.544
<b>Total Other Charges</b>	<b>1.256</b>	<b>1.338</b>	<b>0.082</b>	<b>0.868</b>
<b>Minimum Revenue Provision</b>	<b>20.504</b>	<b>17.010</b>	<b>(3.494)</b>	<b>22.514</b>
<b>TOTAL</b>	<b>23.960</b>	<b>19.868</b>	<b>(4.092)</b>	<b>27.550</b>

**Treasury Management Strategy 2026/27**

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# Audit and Governance Committee



Date of meeting:	20 January 2026
Title of Report:	<b>Risk Management Update</b>
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	David Northey (Interim Service Director for Finance)
Author:	Brad Hutton
Contact Email:	bradley.hutton@devon.gov.uk
Your Reference:	Risk Management Update – January 2026
Key Decision:	No
Confidentiality:	Part I - Official

## Purpose of Report

This report provides members of the Audit & Governance Committee with an update on the work both completed and proposed, which will support the development and embedding of Plymouth City Council's (PCC) Risk Management framework.

The expectation from central government on public bodies regarding Risk Management is outlined in the 'Orange Book Management of Risk'. Additionally, 'The Accounts and Audit Regulations 2015' states that risk is appropriately managed within public bodies.

Devon Assurance Partnership (DAP) is providing support, insight and facilitation to ensure that Risk Management is well embedded within PCC.

## Recommendations and Reasons

- That members of the Audit & Governance Committee note the information in the report

*Reason: to update the Committee on the focus of work with DAP on further developing the Risk Management framework*

## Alternative options considered and rejected

- N/A

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

Risks are specifically linked to the achievement of objectives or goals, therefore Risk Management is relevant to the corporate plan and the priorities detailed within the plan.

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

The work to be delivered utilising available resources and has no material impact on the MTFP

## Financial Risks

There are no financial risks related to the delivery of the planned work

## Legal Implications

The continued development of the Council's risk management framework is essential to meeting statutory duties under the Accounts and Audit Regulations 2015, which require the Council to maintain effective arrangements for risk management and internal control. Weaknesses in strategic or operational risk identification, ownership and escalation could undermine the robustness of corporate decision-making and expose the Council to increased legal, regulatory and financial challenge.

Strengthening the framework, embedding consistent practice across services, and addressing the findings of the recent internal audit will support the Council's overall governance obligations and reduce exposure to avoidable legal risk.

## 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.

[Click here to enter text.](#)

## Appendices

\*Add rows as required to box below

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

## Background papers:

\*Add rows as required to box below

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

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

## Sign off:

Fin	OW. 25.26. 110	Leg	LS/00 0036 09/53 /LB/I 2/01/ 26	Mon Off	N/A	HR	N/A	Asset s	N/A	Strat Proc	N/A
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# Risk Management Update

## Audit & Governance Committee

Plymouth City Council

20<sup>th</sup> January 2026

Official



**Brad Hutton**  
**Senior Assurance Manager**

## **1. Introduction.**

We are pleased to update members of the Audit & Governance committee on the progress on the outlined Risk Management support work that was reported in November 2025.

As a reminder the work commissioned was to further embed Risk Management at the Council and respond to the findings in a recent 'Risk Management' audit review, which whilst awarded a 'Reasonable Assurance' rating highlighted some key areas for improvement;

- Key Risk Management positions, sponsorship and support.
- Training and awareness of PCC's risk management framework.
- Fully developed and defined risks on the council's risk register.
- Further embedding and development of the council's risk management framework.
- Closer connections between audit reviews and risks identified.
- Increased responsibility and collaboration between service/operational areas.
- Opportunity risk management.
- Clear accountability supporting Risk Management.
- Risk management performance.

## **2. Risk Identification.**

We reported to the committee in November that the initial stages of the Risk Management work, has identified eleven strategic risks that PCC faces. A strategic risk is defined as: "*Potential events that could impact the long-term strategic objectives of the organisation.*" These risks are detailed below;

- **Failure to establish strong partnerships and a resilient supply chain.**
- **Failure of climate strategy to deliver mitigation, adaptation, and community resilience.**
- **Failure to recruit, retain and support workforce capability and capacity, impacting service delivery and organisational performance.**
- **Failure of cyber security protection framework to prevent data breaches, service disruption or loss of sensitive data.**
- **Failure of financial planning and governance undermining long-term sustainability.**
- **Failure to safeguard vulnerable people from neglect and harm.**
- **Failure to leverage strategic data effectively, resulting in poor decisions.**
- **Failure to effectively implement devolution and local government reorganisation, undermining support for Plymouth communities.**
- **Failure to respond effectively to emergencies or disasters, undermining community support.**
- **Failure to effectively support and maintain local infrastructure.**
- **Failure of strategic asset management to support service delivery and value for money.**
- **Failure to uphold a strong and supportive reputation.**

### **3. Next Steps**

The aim of the next steps of this work will focus on the embedding Risk Management at service area level, in addition the work will focus on identifying and assessing operational risks that would have the potential to impact the Council.

Below is a brief overview of the focus areas that will be covered;

- Further workshops with each directorate/service area to review the current set of objectives and goals, then to understand the current risks (and gaps) associated with the achievement of these objectives and goals.
- Development of the operational risk register following the workshops and ensure that, where relevant, appropriate risks are escalated to the corporate risk register.
- Work with operational staff, officers and managers to establish and embed the risk framework within PCC.
- Develop the PCC Corporate Risk Management Group (CRMG) to pro-actively manage risk both at operational and corporate levels.
- Ensure that all points and observations found in the most recent Risk Management internal audit are addressed adequately.
- Aim to 'bring it alive' through the engagement with operational staff, ensuring the Risk Management is seen as a management tool, rather than an additional step to take.

We look forward to bringing a further update to the committee in March 2026 with progress against the above outlined action points.



**Brad Hutton – Senior Assurance Manager, Devon Assurance Partnership.**

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