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Date 19 September 2012

Please ask for: Amelia Boulter, Democratic Support Officer
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AUDIT COMMITTEE

Date: Thursday 27 September 2012
Time: 2.30 pm
Venue: Warspite Room, Council House

Members:
Councillor Wheeler, Chair
Councillor Dr. Mahony, Vice Chair
Councillors Murphy, Stark and Stevens.

Independent Members:
Mr. Clarke and Mr. Stewart, plus one vacancy.

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

Members and officers are requested to sign the attendance list at the meeting.

Bob Coomber
Interim Chief Executive

AUDIT COMMITTEE

AGENDA

PART I – PUBLIC MEETING

1. APOLOGIES

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

2. DECLARATIONS OF INTEREST

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

3. MINUTES (Pages 1 - 8)

To confirm the minutes of the meeting held on 21 June 2012.

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. RECRUITMENT OF INDEPENDENT MEMBER

The Committee to note the progress on the recruitment of additional independent members.

6. OPERATIONAL RISK REGISTER UPDATE

The Committee to receive an update on the Operational Risk Register.

7. TREASURY MANAGEMENT TRAINING

The Committee to receive a verbal update on Treasury Management Training.

8. AUDIT COMMISSION CONSULTATION

The Committee to receive a verbal update on the Audit Commission Consultation.

9. INTERNAL AUDIT PROGRESS REPORT (Pages 9 - 32)

The Director for Corporate Services will submit a report on the Internal Audit Progress Report.

10. INTERNAL AUDIT FOLLOW UP REPORT (Pages 33 - 40)

The Director for Corporate Services will submit a report on the Internal Audit Follow Up Report.

11. STATEMENT OF ACCOUNTS 2011/12 (Pages 41 - 174)

The Director for Corporate Services will submit a report on the Statement of Accounts 2011/12.

12. STRATEGIC RISK REGISTER MONITORING REPORT (Pages 175 - 190)

The Director for Corporate Services will submit a report on the Strategic Risk Register.

13. AUDIT PLAN 2011/12 - PROGRESS REPORT (Pages 191 - 194)

The Council's external auditor, Grant Thornton, will submit a report.

14. VALUE FOR MONEY REPORT (Pages 195 - 206)

The Council's external auditor, Grant Thornton, will submit a report.

15. ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA260 REPORT) 2011/12 (Pages 207 - 238)

The Council's external auditor, Grant Thornton, will submit a report.

16. AUDIT FEE LETTER (Pages 239 - 242)

The Council's external auditor, Grant Thornton, will submit a report.

17. ROLLING WORKPLAN (Pages 243 - 246)

The Committee will note its work plan for the forthcoming year.

18. EXEMPT BUSINESS

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

PART II (PRIVATE MEETING)

AGENDA

MEMBERS OF THE PUBLIC TO NOTE
that under the law, the Panel is entitled to consider certain items in private. Members of the public will be asked to leave the meeting when such items are discussed.

NIL.

Audit Committee

Thursday 21 June 2012

PRESENT:

Councillor Wheeler, in the Chair.
Councillor Dr. Mahony, Vice Chair.
Councillors Murphy, Stark and Stevens.

Co-opted Representatives: Mr Clarke and Mr Stewart.

Also in attendance: David Northey – Head of Finance, Mike Hocking – Head of Corporate Risk and Insurance, Julie Hosking – Risk Management and Insurance Officer, Martin Gould – Devon Audit, Brenda Davis – Devon Audit, Robert Hutchings – Devon Audit, Geraldine Daly – Grant Thornton and Amelia Boulter – Democratic Support Officer.

The meeting started at 10.00 am and finished at 12.20 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.

1. TO NOTE THE CHAIR AND VICE CHAIR

Members noted the appointment of Councillor Wheeler as Chair and Councillor Dr. Mahoney as Vice-Chair for the Municipal Year 2012/13.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES

Agreed that the minutes of 16 March 2012 are approved as a correct record.

4. CHAIR'S URGENT BUSINESS

The Chair informed the panel of the outcome of an email sent to members with regard to the possibility of changing future Audit Committee meetings dates and times.

Agreed that all future Audit Committees meetings will now take place on the preceding Thursday and commence at 2.30 pm as follows –

Thursday 27 September 2012
Thursday 13 December 2012
Thursday 14 March 2013

5. **RECRUITMENT OF INDEPENDENT MEMBER**

David Northey, Head of Finance updated the panel on the recruitment of independent members. It was reported that this had now been on-going for the last 12 months and the Constitutional Working Group were meeting on 26 June 2012 to discuss this matter. The recruitment process for independent members would commence pending the outcome of the Constitutional Working Group meeting.

6. **INTERNAL AUDIT ANNUAL REPORT 2011/12**

Martin Gould, the Council's Internal Auditor, provided the Committee with an update on the Internal Audit Annual Report 2011/12. The Committee was informed that –

(a) there were no major risks generally and actions were completed to a good standard. PCC were working effectively with controls in place to mitigate any risks;

(b) the bulk of the work took place around the systems audit. A lot of good progress had been made in embedding the IT library which was commended for good practice. ICT had been quite stretched with a lot of demands made on the service and it was highlighted that IT issues were not given a high enough priority;

(c) fraud was an increasing risk for the local authority and as a result PCC had put more effort and resource into preventative fraud. After investigating a majority of the cases, staff were either dismissed or were going through the disciplinary process;

(d) the schools audit programme was complete. They were also helping schools achieve the financial standard and most of the schools appeared to meet the requirements;

(e) performance had been generally on target and plans completed with good customer satisfaction.

In response to questions raised it was reported that -

(f) PCC's consultants were not looked at and there was a need to bring in expert advice for certain areas of work. For example, independent people were employed to represent people in court and they needed to be independent from the council;

(g) since the Assistant Director for Finance, Efficiencies, Technology and Assets had taken responsibility for ICT in February 2012, it was discovered that a lot of the core parts were very strong but there was no clear focus on where the service was moving forward and as a result the department spent a lot of time fire fighting. The restructuring of ICT would make the department sharper with better practices;

(h) in relation to the fraud investigations it was found that controls and practices in place were robust but there were system weaknesses and recommendations had been made to improve systems.

Agreed that –

1. the Internal Audit Annual Report 2011/12 is noted.

2. Martin Gould will provide the Committee with copies of the Action Plan.

3. the Audit Committee receive an update on the changes to the ICT service in 6 months' time.

7. **ANNUAL GOVERNANCE STATEMENT 2011/12**

Mike Hocking, Head of Corporate Risk and Insurance provided the Committee with an update on the Annual Governance Statement 2011/12. The committee was informed that there was a new requirement for the authority's financial statement to conform to the governance requirements of the CIPFA statement on the Chief Financial Officer role.

Agreed to -

1. note the processes adopted for the production of the 2011/12 Annual Governance Statement.

2. endorse the adequacy and effectiveness of the system of internal audit.

3. approve the Annual Governance Statement prior to signature by the Leader, Chief Executive and Director for Corporate Services.

8. **OPERATIONAL RISK MANAGEMENT - UPDATE REPORT**

Mike Hocking, Head of Corporate Risk and Insurance, provided the Committee with an update on the Operational Risk Register. The committee was informed that risk management was pretty well embedded within the authority and good progress was being made.

Agreed that –

1. the report is noted and the current position with regard to operational risk management is endorsed.

2. the Audit Committee will receive a report at the next meeting and if members still want to question Officers then will invite them to attend a future meeting.

9. **RISK MANAGEMENT - ANNUAL REPORT**

Mike Hocking, Head of Corporate Rick and Insurance, provided the Committee with an update on the Risk Management Annual Report. The Committee was informed that the Risk Management Strategy would be more explicit on maximising opportunities and fits nicely with the new co-operative agenda.

In response to questions raised it was reported that –

(a) 90 per cent of the Risk Management Bids were approved;

(b) the vehicle scissor lift at Prince Rock was replaced with new equipment. The Committee felt that this issue of replacing the vehicle scissor lift should have been addressed earlier and requested a briefing note on why this was the last resort;

(c) not all bids were successful in receiving funding;

(d) the fund would support survey work to be undertaken on land Plymouth City Council (PCC) had inherited. In relation to trees, if there were no visible signs that a tree would fail, the law would support PCC. However, if a person had reported an issue with a tree and PCC failed to action the issue then that was a different matter.

Agreed that –

1. the Risk Management Annual report is noted.

2. the Audit Committee will receive a briefing note on why the vehicle scissor lift was not replaced sooner.

10. ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITIES FOR 2011/12

David Northey, Head of Finance, provided the Committee with an update on the Annual Report on Treasury Management Activities for 2011/12. The Committee were informed that –

(a) it had been a very difficult economic climate. PCC were continuing to recover outstanding monies from the Icelandic Bank;

(b) with regard to the investment maturity profile now showing just under 70 per cent of our investment was now under one month. This detail provided shows us closer to the left when benchmarking us against other clients. This was due to following Arlingclose advice on the length of investment terms.

In response to questions raised it was reported that -

(c) the position with the Icelandic Banks was improving;

(d) the UK Santander Bank was separate to the Spanish parent and we had gained assurance from managers that they do not have the same exposure to Spanish banks;

(e) in the value weighted average versus return graph Plymouth were benchmarked in the bottom right quadrant although Arlingclose clients were getting the same rate on investment with low level risk. To position Plymouth City Council into the bottom left quadrant (within the cluster of comparators), we need to consider investing in money market funds which have a better credit rating.

(f) our money was deposited with UK banks and their ratings were being reduced and the risks attached were deteriorating. Other local authorities to improve their score invest in money market funds at a higher rating;

(g) two thirds of money lost from investments with the Icelandic Banks had been paid back. Money was coming in and PCC was working with lawyers to continue recovery and were confident that it would be able to report soon on this matter and close down this issue;

Agreed that –

1. the Audit Committee note the Treasury Management annual report for 2011/12.

2. the report be referred to Full Council as required by the CIPFA Treasury Management Code of Practice (TMP note 6).

3. Audit Committee approve the Treasury Management Practices for 2012-13 as outlined at Appendix 3.

11. TREASURY MANAGEMENT REVIEW - from March 2012 meeting

David Northey, Head of Finance provided the Committee with an update on the Treasury Management Review. The Committee was informed that training was to be provided on Treasury Management by Arlingclose.

Agreed that –

1. all members to be invited to attend the Treasury Management training course.

2. a copy of the CIPFA Treasury Risk/Management Toolkit to be made available to all members on members room.

12. STATEMENT OF ACCOUNTS 2011/12

David Northey, Head of Finance, provided the Committee with an update on the Statement of Accounts 2011/12. The Committee was informed that the first draft of the Statement of Accounts 2011/12 was being signed off next week before being passed to external auditors. The final accounts would come back to this committee in September for formal sign off. We are now falling in line with the auditors for Tamar Bridge and Torpoint Ferry.

13. INTERIM REPORT AND UPDATE TO FINANCIAL AUDIT PLAN 2011/12

Geraldine Daly, Grant Thornton, provided the Committee with an update on the Interim Report and Update to Financial Audit Plan 2011/12. The Committee was informed that –

(a) this report consolidates the work undertaken between March to end of June and sets out the process to combat the risks highlighted;

(b) in previous years the guidance had been abbreviated on the debt owed to the council from the Icelandic banks. The committee had received reports on the current position on repayments and would receive further reports on repayments;

(c) with regard to annual leave the cost implication on leave that employees hadn't taken needed to be fully costed.

In response to questions raised it was reported that -

(d) a lot of companies were bringing the annual leave entitlement in line with the anniversary year of joining;

(e) they were looking at the impact of the investigation into the mismanagement of funds at St Boniface School and the controls applied within all school when testing school balances. They were also quizzing schools a bit more deeply and giving more challenge;

(f) an interim review took place on the financial systems and a series of tests were conducted. There were no issues to report;

Agreed that the Interim Report and Update to Financial Audit Plan 2011/12 is noted.

14. EXTERNAL AUDIT PLAN PROGRESS REPORT

Geraldine Daly, Grant Thornton provided the Committee with an update on the External Audit Plan Progress Report. The Committee was informed that –

(a) they were looking at the draft final accounts tomorrow and work had been on-going with the Finance Team since January. As of today there were no surprises and extensive work had been undertaken to ensure report accuracy;

(b) VFM risk assessment work had been undertaken and was now complete;

(c) financial resilience work was on-going.

Agreed that the External Audit Plan Progress report is noted.

15. EXTERNAL AUDIT ARRANGEMENTS

Geraldine Daly, Grant Thornton, provided the Committee with an update on the External Audit Arrangements. The Committee was informed that staff from the Audit Commission was being TUPE over in November and a series of on-going discussions with Audit Commission staff would take place over the next couple of months.

16. EXTERNAL AUDIT FEE LETTER

Geraldine Daly, Grant Thornton, provided the Committee with an update on the External Audit Letter. The Committee was informed that they would normally receive a letter by now but they were still in the process of finalising the fees to be agreed and would keep the Committee informed.

17. AUDIT COMMITTEE FORWARD WORKPLAN 2012/13

David Northey, Head of Finance, provided the Committee with an update on the Audit Committee Forward Workplan. The Committee was informed that the workplan would be populated in conjunction with the Chair and Vice Chair.

Agreed that the populated Audit Committee Forward Workplan is circulated to all members prior to the next meeting.

18. EXEMPT BUSINESS

There were no items of exempt business.

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CITY OF PLYMOUTH

Subject:	Internal Audit – Progress Report
Committee:	Audit Committee
Date:	27 September 2012
Cabinet Member:	Cllr Lowry
CMT Member:	Director for Corporate Services
Author:	Martin Gould, Head of Devon Audit Partnership
Contact:	Tel: (01752 (30) 6710 e-mail: martin.gould@devonaudit.gov.uk
Ref:	AUD/MG
Key Decision:	No
Part:	I

Executive Summary:

This report provides Members of the Audit Committee with a position statement on the audit work carried out in the period April 2012 to August 2012. Based on work performed to date during 2012/13, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

Corporate Plan 2012-2015:

The work of the internal audit service assists the Authority in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting high standards of service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations. In addition, the delivery of the Internal Audit plan assists all directorates in meeting their Corporate Improvement Priorities and achieving the shared priorities for the City and the Council.

Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land

None

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

The work of the Internal Audit Service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.

Recommendations & Reasons for recommended action:

It is recommended that:-

1) the report be noted

Alternative options considered and reasons for recommended action:

None, as failure to maintain an adequate and effective system of internal audit would contravene Accounts and Audit Regulations 2003, 2006 and 2011.

Background papers:

Internal Audit Annual Plan 2012/13

Sign off:

Fin		Leg		HR		Corp Prop		IT		Strat Proc	
Originating SMT Member: Martin Gould, Head of Devon Audit Partnership											

1 INTRODUCTION

1.1 The Internal Audit (IA) Service for Plymouth City Council is being delivered by the Devon Audit Partnership (DAP). This is a shared service arrangement constituted under section 20 of the Local government Act 2000; the Partnership was formed on 1 April 2009.

1.2 Plymouth's IA Plan for 2012/13 was submitted to, and agreed by, the Audit Committee on 16 March 2012. Historically, we have reported progress against plan for the first half of the year to the December Committee and for the full year to the June Committee.

1.3 At the June Audit Committee, Members requested more regular updates of progress against the audit plan and this reports details reviews undertaken by the IA Service in the period 1April 2012 to 24 August 2012.

2 REVIEW OF AUDIT COVERAGE

2.1 Overall, good progress has been made against the plan agreed with management for the 2012/13 financial year. Progress in the period up to 24 August has included completion of work carried forward from 2011/12, undertaking follow up audits, and in completing assignments in accordance with timescales agreed with management. A start has been made on over 50% of the plan with approximately 17% of the plan having been completed to date. Performance in the first quarter to the end of June showed that overall 23% of the planned days had been delivered with customer satisfaction returns showing over 92% satisfied or very satisfied with the service delivered.

2.2 A summary of Internal Audit's opinion on the individual reviews that have been carried out or concluded for the period from 1 April 2012 is included in Appendix 1.

2.3. In addition a detailed exercise to follow up those audits completed in 2011/12 where the overall assurance opinion was given as "Improvements required" has also been completed, the results of which are reported elsewhere on the agenda.

3 INTERNAL AUDIT OPINION

3.1 In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report.

3.2 All final audit reports also include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review. Implementation of action plans are reviewed during subsequent audits or as part of a specific follow-up process.

3.3 Overall, and based on work performed to date during 2012/13, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

4 RECOMMENDATIONS

4.1 It is recommended that the report be noted

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Summary of Audit work completed and Audit Opinions

Audit Area	Year	Status	Assurance Opinion	Executive Summary
Corporate Services (excluding ICT)				
Loans & Investments	2011/12	Final	Good Standard	An overall opinion of ‘Good Standard’ was given based on the continued evidence of clear governance and operational processes. The use of Call Accounts has been central to the current Treasury Management activity as these have been able to offer the best rates of return within the advice provided by the external consultants, Arlingclose whose contract was renewed in January 2012. Cash flow forecasting and the management of the Council's main bank account is considered to be operating well.
Capital Accounting (Asset Register)	2011/12	Final	Good Standard	Monitoring of the Capital Programme was carried out throughout the year by senior officers and Cabinet. The five-year rolling programme for the revaluation of assets continues to be maintained. Depreciation charges for fixed assets follow the straight line method and were being accurately applied in the samples tested.
Cash Collection 11/12	2011/12	Final	Good Standard	It is recognised that changes brought about by the recent restructure has placed additional pressure on staff but internal controls continue to operate to a good standard which is a credit to all involved. Senior Officers continue to work to streamline processes and identify efficiencies.

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Main Accounting System 11/12	2011/12	Final	Good Standard	The consistent application of internal controls ensures that the main accounting system continues to operate to a good standard. The Joint Finance and Performance reports are now well established and report key financial information to Cabinet on a quarterly basis. The Overview and Scrutiny Management Board have continued to provide a robust challenge and review of the budget. Reconciliations continue to operate to a good standard.
NNDR	2011/12	Final	Good Standard	An increase in empty properties and businesses entering administration are contributory factors in collection rates being below target despite consistent application of internal controls and sound debt recovery practices but overall, the NNDR system continues to operate to a good standard.
Creditors	2011/12	Final	Good Standard	The review found that internal controls continue to operate to a good standard and work is ongoing to streamline processes and further strengthen the system of control. This includes the planned implementation of automatic payment authorisation.
Council Tax system	2011/12	Final	Improvements Required	Continuing economic problems have made 2011/12 another challenging year for council tax collection. However, although collection rates are likely to fall short of the performance target set recovery have increased the collection rate for the third consecutive year. Progress has been made since the 2010/11 audit in respect of the monitoring of student exemptions. However, the development of an on-going review process in respect of single person's discount (SPD) which reduces gross liability by 25%, remains outstanding.
Housing Benefits	2011/12	Final	Improvements Required	Due to the economic climate, the benefits caseload has continued to increase in 2011/12, averaging 30,000 cases. During the same period the service underwent a significant restructure but despite these factors, combined time to process new claims and change events have improved. However, performance was stronger in respect of actioning change events over new claims and it is important that the service strives to

				achieve a greater balance between the two.
ICT Service Desk - System Admin	2011/12	Final	Improvements Required	The ICT Service Desk team now administer access to the most of the Council's key financial systems and there is a complete audit trail for each request raised. The 2010/11 review identified that requests under the new system took longer to action but these now form part of a 'Service Level Agreement' and timescales have improved. User training and induction on 'key financial' systems is an area that needs to be strengthened and could be improve if there was better communications between the Service Desk and individuals within Departments responsible for organising training sessions. Adequate procedures are in place for all the systems reviewed to ensure that staff who leave or change positions within the organisation are identified, allowing their access to be reviewed and if necessary removed.
Debtors System	2011/12	Draft	Good Standard	The debt collection rate has improved for the second year in a row from 94.5% with £51m collected in 2010/11 to 97.7% and £66.3m collected in 2011/12. Service areas continue to collect payments in advance wherever possible and the debtors team demonstrate a pro-active approach to collecting income prior to the due date by making contact with customers before formal non-payment reminders are generated. Responsibility for dealing with returned and rejected direct debits now sits with the Debtors Team as it is perceived that they have the knowledge of a debtor's circumstances and can therefore deal with the debtor promptly and with the required level of sensitivity.
Revenues & Benefits Systems Parameters	2012/13	In Progress		

Main Accounting System	2012/13	In Progress		
Payroll	2012/13	Not Started		Planned to commence in Q4 following implementation of new payroll system.
Housing Benefits	2012/13	Not Started		
KFS Access Controls	2012/13	Not Started		
Creditors	2012/13	Not Started		
Council Tax System	2012/13	Not Started		
Debtors System	2012/13	Not Started		
Loans & Investments	2012/13	Not Started		
Capital Accounting (Asset Register)	2012/13	Not Started		Work on this review will not commence until May 2013 as work to update the asset register does not start until after year end.
NNDR	2012/13	Not Started		
Cash Collection	2012/13	In Progress		
CRB 10/11 Follow-Up	2011/12	Final	N/A	The original report found the system to be operating to a good standard and the planned follow-up review found that good progress had been made in implementing the action plan.

Capital Programme 10/11 Follow-Up	2011/12	Final	N/A	The original report was of a good standard and this follow-up review has confirmed that adequate progress is being made towards implementing the action plan. Work is currently underway with the Web Team to establish an information page which will provide complete information, highlight best practice and consistency in complying with robust governance arrangements. This will enable the final recommendation to be implemented with the publishing of a capital definition paper through staffroom to support Officers involved in capital investment in determining what expenditure can be classified as capital.
Capital Programme - Delivery	2011/12	Not Started		
Payroll System Procurement and Transfer from SAP 12/13	2012/13	On-Going		DAP continue to provide support and advice to this project. This started with assistance during the accelerated procurement of consultancy and implementation services for the project and DAP was able to give assurance that the process was conducted in line with policy and procedures. DAP continues its involvement during the implementation phase of the project ensuring the solution incorporates sufficient business and ICT controls, as well as monitoring project governance and the management of risks.
Revenues & Benefits - Policy Changes	2012/13	On-going		At the request of management, DAP are providing ongoing support and advice to the Revenues & Benefits Service project team who are responsible for the development of the localised council tax support scheme which comes into effect in April 2013.

Risk Management	2012/13	Draft	Embedded & Integrated	Overall risk management arrangements operating within Plymouth City Council Directorates are considered to be “Embedded and Integrated”. Risk management is championed by Directors and senior managers who challenge the risks to the organisation and understand their risk appetite. A framework of risk management processes is in place and used to support service delivery. The arrangements operating within Corporate Services, People, Place and the Executive Office have each been considered as part of this review. The Authority is going through a period of significant reorganisation and this has created challenges for the Risk Champions but much work has been carried out to determine the objectives of new service areas and to re-evaluate the risks to service objectives.
Schools Loan Scheme	2012/13	In Progress		
Schools Financial Value Standard	2012/13	On-Going		Outturn for 2011-12 DSG CFO Statement. Review of school submissions for 2012/13.
New Procurement Policies & Strategies inc Management and Monitoring of Contracts	2012/13	Not Started		
P2P Project	2012/13	Not Started		
Capital Programme - Delivery 11/12 Follow-Up	2012/13	Not Started		

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Corporate Services - ICT				
Service Level Management	2011/12	Final	Improvements Required	The current workload of the ICT department is extremely challenging and the risk of taking on more than can realistically be delivered and failing to fulfil customer expectations, is ever present. These expectations have changed in recent years and there is a recognised need for improved service level management and customer communication, to ensure that expectations are managed effectively and that the department's workload does not exceed its ability to deliver in accordance with customer expectations and agreed time scales. It is imperative that adequate resources are made available to create and maintain a comprehensive ICT Service Catalogue by developing the Service Design Packages, Service Level Agreements and Supplier Management arrangements necessary to support it. The ICT department has made significant progress in aligning its structure and working practices to the business requirements of the Council but additional resources are now required in order to develop robust Service Level Management arrangements to a level that will meet the needs of the organisation in the coming years.
Access Management	2011/12	Final	N/A	A briefing note has been issued identifying the key issues that will impact on PCC's access management in the near future. As the Council becomes increasingly joined up with its partners within the city and provides the local community with electronic means of accessing services and obtaining information, so the historic corporate network boundaries become less distinct and more difficult to administer. The new AX platform being implemented as part of the new Transformational Change HR/Payroll system project, provides the opportunity to capture all logical and physical access requirements as part of a "role based" approach. However, there is a danger that this opportunity will be lost if the resources required to achieve this are not provided. Without role based access, it is likely that there will be an increasing access management overhead as the range of access

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				provided changes. Furthermore, there is likely to be an increased risk to the computerised information assets that have been previously well protected within the boundaries of the corporate network.
Capacity and Availability	2011/12	Draft	Improvements Required	The audit identified that improvements to the service strategy and design phases will enable ICT to improve availability and capacity management and achieve better value for money. Crucially, the individual business area will receive the level of service that they have requested at a cost that is affordable and potentially remove the need for ICT management to make decisions based on cost alone. The use of automated alerts for review as part of the Service Desk's morning operations routine is more efficient, more effective and greatly reduces the risk of human error or oversight. At present no bandwidth management tools are used to mitigate the risk of poor network performance. This is likely to become an increasingly important issue as more business processes consume greater and greater network resources. This area will also be impacted by any future 'Shared Services' arrangements that the Authority enters into.
New Data Centre (inc storage & backup)	2012/13	On-going		DAP have continued to be involved in the project tasked with introducing the new data centre at Windsor House, attending Project Board meetings and providing advice to the project as required.
CRM Dynamics AX2012	2012/13	On-going		DAP are maintaining a watching brief and providing advice and support as required.
Information Security	2012/13	On-going		DAP continue to attend and support the Management Information Security Forum (MISF) which also reports to the Information Lead Officers Group (ILOG) established in 2011/12, in which Internal Audit has a role. DAP have also provided support and advice to officers on individual cases.

CareFirst 6	2012/13	In Progress		The objective of the review has been to provide assurance on the adequacy of effectiveness of the control environment within which the Carefirst system operates. The scope of the audit has included a review of: • Strategic and operational governance; • User access and training; • System architecture and resilience; • Database management, backups and security; • Change management processes including patching; • Utilisation of system tools for effective management reporting.
ICT Service Strategy	2012/13	In Progress		The overall objective of this review is to provide an independent and informed opinion on the effectiveness of the Council's ICT Service Strategy. An effective service strategy provides the foundation upon which effective service delivery can be achieved and our work will seek to ensure that sound processes are in place in respect of the following aspects of service strategy planning: • The definition of business service requirements • The preparation of ICT strategies, policies and plans • The specification and agreement of the ICT service portfolio • The processes relating to demand management • Financial management procedures The aim of the exercise will be to establish if the Council's ICT Strategy is up to date and that it remains fit for purpose in delivering the Authority's short and medium term business needs.
Academy (HB Self Serv Portal)	2012/13	In Progress		DAP are providing support and advice to the Project set up to implement the Self Service Portal and ensure that transition arrangements are robust.

Material Systems IT Issues	2012/13	Not Started		
Release & Deployment	2012/13	Not Started		
Corporate Telephony System	2012/13	Not Started		
ICT Compliance Board & Follow-up of previous audits	2012/13	On-going	N/A	Regular meetings are held with ICT managers to discuss progress with agreed action plans that resulted from recommendations made in audit reports.

Cross Cutting				
Payment to Consultants & Advisors	2011/12	Final	Improvements Required	The system introduced in November 2011, to determine an individual's employment status prior to engagement is effective and in the main, is compliant with HMRC best practice and will provide the Council with the necessary evidence that individual employment status has been correctly determined. However this review has identified that the process is not completely embedded and there are inconsistencies in compliance with it. It should be noted that by the time the action plan was finalised, some of recommendations have already been implemented.
Carbon Management	2012/13	Complete	N/A	DAP have been able to certify that the Council has fulfilled its obligations with regard the submission of data and compilation of supporting evidence for the CRC Energy Efficiency Scheme.
Accommodation Strategy	2012/13	On-going		DAP has continued its watching brief of the Accommodation Strategy project, to provide support and assurance on project governance and the management of risks facing the project.
Corporate Information Management	2012/13	On-going		DAP continue to attend and support the Information Lead Officers Group (ILOG) set up in 2011/12.
Business Continuity	2012/13	On-Going		DAP continue to attend the Authority's Business Continuity Strategy Group to provide advice and support. It is proposed to review a selection of Business Continuity Plans later in the year.
Use of Purchasing Cards	2012/13	In Progress		A sample of purchasing cards across all areas were identified for review, the fieldwork will be completed once schools have started back and the cards identified in the test sample which are held by schools have been reviewed.

Payment to Consultants & Advisors 11/12 Follow-Up	2012/13	Not Started		
Significant Partnerships 10/11 Follow-Up	2011/12	Not Started		
Procurement and Management of Consultants and Advisors 11/12 Follow-Up	2012/13	Not Started		

Devon Audit Partnership

Place				
Smart Ticketing LSP	2012/13	Not Started		Dept for Transport has not yet issued audit requirements.
Waste Management - SWDWP - (Waste PFI)	2012/13	On-Going		DAP continues to support the South West Devon Waste Partnership Waste PFI project, advising on governance and risk issues.
Sale of Civic Centre	2012/13	On-going		DAP have been invited to provide advice, support and assurance to the team tasked with the sale of the Civic Centre. Audit has been able to bring its experience of previous major procurement exercises and has been present at meetings to discuss the procurement approach, specification and evaluation criteria as well as attend a project risk workshop.
Plymouth Market 11/12 Follow-Up	2012/13	In Progress		
Blue Badges	2012/13	In Progress		The blue badge service transferred from Adult Social Care to Parking in May 2012 and Devon Audit Partnership have been working with Parking to review and streamline procedures to improve efficiency and cost effectiveness.
Public Protection Services	2012/13	In Progress		Some work has been carried out regarding the implementation of portable devices to support the service in delivering efficiency savings and liaison with finance officers regarding central support charges in preparation for the setting of local fees and charges. However, the main piece of work is scheduled to commence in Q3.
Commercial Leases	2012/13	Not Started		Planned for Q3.

Devon Audit Partnership

Planning Applications and Appeals 11/12 Follow-Up	2012/13	Not Started		Planned for Q4. Original report opinion was ‘high standard’ and of the four recommendations made, two were low priority and one had been implemented by the time the action plan was agreed.
Section 106 11/12 Follow-Up	2012/13	Not Started		Planned for Q4. Original report opinion was ‘good standard’.
Mt Edgcumbe Accounts 11/12	2012/13	Final	Good Standard	In accordance with Regulation 6 of the Accounts and Audit Regulations 2003 Devon Audit Partnership carried out a review of the Mount Edgcumbe Joint Committees financial accounting systems and internal control arrangements in place for the 2011/12 financial year. Overall arrangements are of a good standard. There has been a significant amount of work undertaken during 2011/12 to reduce expenditure and achieve a balanced budget. A new business plan has been developed that reduces subsidy requirements in the short and medium term. Work continues to look at a range of cost cutting and income generating measures that will enable objectives to be achieved.
New Growth Point Grant 2011/12	2012/13	Complete		Grant certification.

People				
CareFirst - Fostering	2011/12	Final	Improvements Required	The review of the payment process identified a number of areas where improvements need to be made including full and accurate completion of supporting paperwork and the clarification of the perceived value of the authorisation stages. The payment process is predominantly manual which increases the risk of errors being made or missed. The use of standardised paperwork ensures that carer details are obtained in a uniform manner and it is recognised that staff work hard to ensure that foster carers receive their payment each week.
Commissioning and Contracting - (Adults)	2011/12	Final	High Standard	Overall arrangements for Commissioning and Contracting Adult Social Care services were found to be of a High Standard. Although arrangements continue to be developed, particularly around joint commissioning and contracting with Health, current arrangements demonstrate that Plymouth City Council is best placed to lead the way forward in delivering highly effective services that meet the outcomes of the Plymouth locality whilst ensuring value for money. Adult Social Care commissioning plans clearly demonstrate how commitments in local strategic plans have been used to inform the services that will meet the needs of local people, the introduction of the Market Position Statement (MPS) has also supported this. Commissioning plans were found to have been based upon sound evidence and reflect national policy, guidance, local strategic plans, research and best practice. Commissioning plans have been developed with partners and have involved all key stakeholders including users, carers, local communities and service providers in the statutory, private and third sector. The plans have clearly specified the outcomes to be achieved for service users, and what services will best deliver those outcomes over time.

Commissioning and Contracting (Children's) 11/12	2011/12	Final	Good Standard	The Children and Young People's Plan (C&YPP) 2011-2014 has been developed following a comprehensive programme of work that included a complete needs analysis and input from service users, providers and stakeholders through a range of engagement mechanisms. The Commissioning Intentions Plan should be recognised as an excellent tool for implementing joint commissioning of services and should be further developed and embedded within the planning, delivery and evaluation of services to Children and Young People. This should in turn enable the outcomes identified in the C&YPP to be achieved and provide a solution to commissioning services at a time of reduced funding. The Finance and Commissioning Programme Board is an effective medium through which C&YP finance and commissioning plans are considered, agreed and enabled.
CareFirst - Non residential Services Billing (NSIBS) 11/12	2011/12	Final	Good Standard	With progress being made towards Personalisation and Self-Directed Care, it is now expected that NSIBS will no longer be required in the medium to long-term and therefore, there are no longer plans for a replacement system. There is a possibility that this transition could take longer than anticipated. It is also possible that some clients may refuse direct payments or pre-loaded cards and insist on retaining their commissioned services. In the interim and for those clients who wish to retain commissioned services there will still need to be a system in place for client billing and for the payment of providers. The decision has been made that no new services are to be added to NSIBS from April 2012 as there will be no more commissioned services. There should to be some clear direction on how commissioned services are to be dealt with in the future and who will be responsible for making decisions on how the cases that do not "fit" into the personalisation criteria will be recorded, paid for and client's billed. These cases will

				need to be identified and solutions found before NSIBS is phased out.
Safeguarding Adults- Follow Up of 10-11 Review	2011/12	Interim report issued		The original audit opinion formed was of a ‘good standard’. Initial work has confirmed that some actions have been implemented in full but due to changes within Adult Social Care some recommendations remain outstanding. An interim report has been issued to provide a position statement and further work will be carried out in December 2012 when a final report will be issued.
Data Quality Childrens 10/11 Follow-Up	2011/12	In Progress		
CareFirst Res Care Payments 10/11 Follow-Up	2011/12	In Progress		
Choice Based Lettings 10/11 F/U	2011/12	Not Started		
Client Finance Services 11/12 Follow-Up	2012/13	Final	High Standard	Of the 4 recommendations made in the original report: • 1 has been cleared; and, • 3 have been cleared but the agreed processes may be subject to review as part of the overall restructuring of the Adult Social Care process under the Think Local, Act Personal agenda (formerly Putting People First). Adult Social Care has been undergoing a substantial restructure to establish the Putting People First process which is still on going. The Client Financial Services Team is part of the Corporate Services directorate and provides support to the Adult Social Care teams. The support includes the financial assessments for service users, the monitoring of Direct Payments, handling enquiries for Residential and Nursing Home payments and Deputyships. Issues in relation to the restructuring of Adult Social Care are subject to

				review by the Partnership as part of the audit plan for 2012/13.
PAPH/Community Interest Company/Co-Ordinator Arrangements	2012/13	Final	N/A	This piece of work was commissioned by the Assistant Director (Learner and Family) and has highlighted issues on the legal status of organisations, employment and funding issues that the Directorate needs to consider as education moves forward following the introduction of academies and trust / co-operative schools where employees are employed by the City Council and not the School. The Council must be seen to be acting with 'due diligence' in these matters to protect itself and staff and at the same time to ensure these initiatives are effectively implemented in accordance with the law and employment principles.
Culture, Sport & Leisure Projects inc. Pavilions Disposal	2012/13	On-Going		DAP continue to support and advise the various project teams as well as the Culture, Sport and Leisure Programme Board, in providing assurance on project governance, the management of risks facing each project as well as the compliance with procurement practices and procedures where appropriate.
School Construction Projects	2012/13	On-Going		DAP have been able to support various school construction projects including those under the Basic Needs Programme and the Academies Delivery Board, offering advice and assurance on process and procedures involving procurement, risk and governance.
Health Integration inc Health & Wellbeing Boards & Transfer of Public Health	2012/13	In Progress		
School Census	2012/13	In Progress		
CareFirst - Non residential Services Billing (NSIBS) 11/12 - Follow Up	2012/13	Not Started		Planned for Q4

CareFirst - Domiciliary Care Services	2012/13	Not Started		
CareFirst - Residential Care Payments	2012/13	Not Started		
CareFirst - Children Independent Placements 12/13	2012/13	Not Started		
CareFirst - Fostering 11/12 Follow-Up	2012/13	Not Started		Planned for Q4
Commissioning & Contracting (Adults) 11/12 Follow-Up	2012/13	Not Started		Planned for Q4
Commissioning & Contracting (Children) 11/12 Follow-Up	2012/13	Not Started		Planned for Q4
Impact of ASC Restructure on controls	2012/13	Not Started		
Personalisation	2012/13	Not Started		
Fostering and Adoption Panels Processes / EDRMS	2012/13	Not Started		

Children's Integrated Disability Team	2012/13	Not Started		Initial meeting has been carried out to agree areas of work which is planned for Q3.
Family Group Conferencing	2012/13	Not Started		
Localities Co-Ordination	2012/13	Not Started		
Special Education Needs (Autism Spectrum Disorder)	2012/13	Not Started		Initial meeting has been set for September to commence review.
Proof of Concept Team (POC)	2012/13	N/A	N/A	On Hold – POC Team no longer exists
Tamar Education Business Partnership	2012/13	N/A	N/A	Partnership no longer exists.
Schools	2012/13	On-Going		There are 28 schools in the audit plan, for which 5 final and 3 draft reports have been issued to date. Audit dates have been agreed with 10 schools for the period up to Christmas, dates will be agreed for the remaining 10 school visits when they return after the summer break.

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CITY OF PLYMOUTH

Subject:	Internal Audit – Follow-Up Work
Committee:	Audit Committee
Date:	27 September 2012
Cabinet Member:	Cllr Lowry
CMT Member:	Director for Corporate Services
Author:	Martin Gould, Head of Devon Audit Partnership
Contact:	Tel: (01752 (30) 6710 e-mail: martin.gould@devonaudit.gov.uk
Ref:	AUD/MG
Key Decision:	No
Part:	I

Executive Summary:

At the June Audit committee members were provided with the Annual Internal Audit report for the Council for 2011/12. Appendix 2 of this report provided a summary of the audits undertaken during 2011/12, along with our assurance opinion.

Members discussed the report and requested a detailed report to a future meeting updating the Committee on the “improvements required” areas highlighted. To provide the assurance that Members required, Devon Audit Partnership have undertaken follow up audit reviews, wherever possible, or discussed progress with relevant officers and the results from this process are contained in this report

Corporate Plan 2012-2015:

The work of the Section assists the Authority in maintaining high standards of public accountability and probity in the use of public funds. The Section has a role in promoting high standards of service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council’s statutory obligations. In addition, the delivery of the Internal Audit plan assists all directorates in meeting their Corporate Improvement Priorities and achieving the shared priorities for the City and the Council.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

None

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

The work of the Audit Service is an intrinsic element of the Council’s overall corporate governance, risk management and internal control framework.

Recommendations & Reasons for recommended action:

It is recommended that:-

1) the report be noted

Alternative options considered and reasons for recommended action:

None, as failure to maintain an adequate and effective system of internal audit would contravene Accounts and Audit Regulations 2003, 2006 and 2011.

Background papers:

Internal Audit Annual Plan 2011/12

Sign off:

Fin		Leg		HR		Corp Prop		IT		Strat Proc	
Originating SMT Member: Martin Gould, Head of Devon Audit Partnership											

1. INTRODUCTION

1.1 At the June Audit Committee, Members were provided with the Annual Internal Audit report for the Council. Appendix 2 of that report provided a summary of the audits undertaken during 2011/12, along with our assurance opinion. Where a “high” or “good” standard of audit opinion was provided we confirmed that, overall, sound controls were in place to mitigate exposure to risks identified. Where an opinion of “improvements required” was provided, this indicated issues had been identified during the audit process that required attention. It should be noted that we did not give an opinion of “Fundamental Weaknesses Identified” for any of the audits we undertook and reported on.

1.2 Members discussed the report and requested a report to a future meeting updating the Committee with progress on implementing action plans where the overall audit opinion was “improvements required” as shown in Appendix 2 to the report. With any audits with an opinion of “Fundamental Weaknesses Identified”, progress on implementing action plans would automatically be reported to Members.

1.3 To provide the assurance that Members required, Devon Audit Partnership have undertaken follow up audit reviews, wherever possible, or discussed progress with relevant officers and the results from this process are contained in this report.

2. PROCESS

2.1 For each service area where an audit opinion of “improvements required” was provided at the end of 2011/12 we completed a follow up review where appropriate. The follow up review was undertaken to provide assurance to management and those charged with governance, that the agreed actions identified at our initial audit visit had been implemented, or suitable progress is being made to address the areas of concern.

3 FINDINGS

3.1 Overall we can report that managers are making good progress in responding to the issues raised, as reflected in the generally positive direction of travel demonstrated in Appendix 1. However in terms of actioning the audit recommendations, progress is more limited.

3.2 It should be noted that in a number of instances the due date for the recommendation has not yet been reached; the agreed date takes into account service priorities and, in some cases, the need to make changes to processes that can take time to achieve. As a consequence not all recommendations have been completed, but this is as expected.

3.3 In some instances we were unable to obtain a full response from the service area due to employees taking their annual leave entitlement; we will ensure that once staff have returned from the holiday period that we complete the follow up process, and confirm that the service area is on track to implement agreed recommendations. Any areas where issues or concerns are noted will be flagged to senior management for further consideration and resolution

3.4 During our initial audit work we have made reference to areas where risk exists; however in some cases it is either not economically appropriate to address this risk, or technical solutions are not yet available. In such cases management agree to accept this risk, and use other monitoring arrangements to ensure that the risk is kept to a minimum. In such cases we are unable to provide an improved audit opinion, although we fully recognise that the risk is identified, managed and management will resolve the issue as and when opportunities arise.

3.5 Appendix 1 of this report sets out the audits at the end of 2011/12 which were identified as “improvements required”. The appendix shows the current (updated) assurance opinion following our follow up work, and a “direction of travel”. We have also provided a commentary on progress being made.

4 CONCLUSION

4.1 Overall we note that at present only limited progress has been made by management against the agreed recommendations although it is clearly demonstrable that they are taking steps to respond to the issues raised. As stated above, this is due to a number of factors, including the timing of the report, the short length of time since actions were agreed and the length of time some recommendations are likely to take to implement. It is important; however, that management continue to address the weaknesses identified to ensure that the assets and reputation of the Council remain protected.

4.2 We would like to acknowledge and offer our thanks to all those who have assisted with this process. We understand that the work was undertaken at a traditionally difficult time for management (due to the summer holiday season) and their help in providing the information for this review is appreciated.

Devon Audit Partnership

Table to show updated Audit Assurance Opinion after completion of follow up work to 24 August 2012

Audit Area	Audit Assurance Opinion as at 31 May 2012	Updated Audit Assurance Opinion as at 24 Aug 2012	Direction of Travel	Commentary
Material Systems				
Housing Benefits 2011/12	Improvements Required	Improvements Required	⇧	Whilst a formal follow up has not been undertaken, the Revenues and Benefits Service maintain an ongoing dialogue with Devon Audit Partnership and keep us informed of their actions. This has included preparing a business case to enable risk based verification software to be purchased which will enable greater activity to be targeted towards those cases deemed to be at highest risk of fraud and / or error. Once implemented, this will address key recommendations.
ICT Helpdesk Access Controls 2011/12	Improvements Required	N/A	N/A	Some recommendations had already been implemented by the time that the action plan was formally agreed. However, whilst all of the other recommendations have also been agreed, they will take longer to implement, with target dates for implementation ranging from October through to January 2013. Follow-up work to check progress made in implementing these recommendations will be carried out later in the year.
Council Tax 2011/12	Improvements Required	Improvements Required	⇧	The action plan was not agreed until July but already positive action has been taken towards implementing the recommendations. A draft write-off process has been developed in this intervening period and once it has been finalised and approved, the assurance opinion will move to 'good standard'.

ICT

Partnership Working (ICT Systems) 2010/11	Improvements Required	Improvements Required	⇧	Positive action has been taken to address the issues raised in the original report. During 2011/12, Internal Audit developed a toolkit for use by business areas when considering IT solutions or looking to work with partner organisations. This work reflects the direction of travel shown.
Capacity and Availability	Improvements Required	N/A	N/A	The related audit report is still in draft, with recommendations and management responses currently being discussed. It has therefore not been possible to follow up the recommendations made at this time.
Service Level Management	Improvements Required	Improvements Required	⇧	The audit report was only finalised relatively recently and the majority of recommendations will take time to implement and therefore target dates for implementation are not yet due. In addition, some rely on resources being made available. Although recommendations have not been actioned, the direction of travel reflects the good progress made by management in the limited time since the report was issued, as identified during our on-going discussions with ICT officers.
Programme Management	Improvements Required	Improvements Required	⇧	This strategic review made a number of recommendations that will take time to implement. Despite many challenges placed on ICT to deliver new business solutions, with limited resources, progress has been made and will contribute to improved service delivery.

Devon Audit Partnership

Corporate Services

Payment to Consultants & Advisors	Improvements Required	N/A	N/A	The related audit report has just been finalised and the action plan agreed. A follow-up review will be carried out at a later date.

Place

Plymouth Market	Improvements Required	Improvements Required	⇧	Good progress has been made towards implementing the action plan and this is reflected in the direction of travel. For those recommendations which remain work in progress, Devon Audit Partnership will continue to monitor the situation, providing advice and guidance to the service as necessary.

People

CareFirst Fostering	Improvements Required	Improvements Required	⇨	Some recommendations have been actioned but, as the audit report was only finalised recently, the majority of recommendations have yet to be actioned and the target dates for implementation are not yet due. This is reflected in the direction of travel.

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PLYMOUTH CITY COUNCIL

Subject:	Statement of Accounts 2011/12
Committee:	Audit Committee
Date:	27 September 2012
Cabinet Member:	Councillor Lowry
CMT Member:	Director for Corporate Services
Author:	Claire Fisher (Group Accountant, Corporate Accountancy – Technical)
Contact:	Tel: 01752 (30)5418 e-mail: Claire.fisher@plymouth.gov.uk
Ref:	ACCT/CF
Key Decision:	No
Part:	I

Purpose of the report:
The Council's draft Statutory Statement of Accounts were prepared and approved ready for audit by the Director for Corporate Services on 29 June 2012.

The Accounts have now been audited and are being presented to Audit Committee for approval. The Accounts and Audit Regulations require the accounts to be formally approved and published by 30 September.

Issues raised by the auditor are outlined in the report, including a summary of the changes made since the draft accounts were produced. The revised Statement of Accounts for 2011/12 is attached at Appendix A.

Corporate Plan 2012 – 2015:
The Council's expenditure forms the basis on which the Corporate Plan can be delivered.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land
The 2011/12 final accounts will have implications on the Medium Term Financial Plan. The level of Working Balance and reserves will affect the level of funding available in future years and variations in service expenditure will also need to be reviewed to assess the effects on future years.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion:
N/A

Recommendations & Reasons for recommended action:

1. Audit Committee note the amendments made to the Statement of Accounts for 2011/12 as agreed with the Auditor, and outlined in this report.

2. The Statement of Accounts for 2011/12 attached at Appendix A be approved.

3. The letter of representation attached at Appendix B is authorised and submitted to the Auditor.

4. Officers continue to review the production and contents of the Statement of Accounts with a view to securing further improvements for the 2012/13 Statement of Accounts.

Alternative options considered and reasons for recommended action:
None – It is a statutory requirement to produce and approve the Statement of Accounts.

Background papers:
Final Accounts Working Papers 2011/12
Budget Papers 2011/12
The 2011/12 Code of Practice on Local Authority Accounting (the Code)
Service Reporting Code of Practice for Local Authorities 2011/12 (SeRCOP)
Outturn Report to Cabinet 12 June 2012
Draft (Pre-Audit) Statement of Accounts 2011/12

Sign off:

Fin	CDR/CORPSF FC1213001	Leg	SC/15651	HR		Corp Prop		IT		Strat Proc	
Originating SMT Member Malcolm Coe											
Have you consulted the Cabinet Member(s) named on the report? Yes											

Statement of Accounts 2011/12

1. Introduction

1.1 The draft Statement of Accounts 2011/12 was approved by the Director for Corporate Services on 29 June 2012. The formal audit commenced on 2 July 2012 and has been ongoing until now. The External Auditor's Governance Report (ISA260 Report), including the findings on the annual accounts audit and an action plan addressing key audit issues, is being presented to this meeting. The Accounts and Audit Regulations require the Statement of Accounts to be approved by the Council by 30 September 2012. For Plymouth, this responsibility has been delegated to the Audit Committee.

1.2 There have been no changes made to the main financial statements since the publication of the draft Statement of Accounts at the end of June 2012. However a number of changes have been made to the disclosure notes within the statements following discussions with the auditor and these are outlined in the report. The revised Statement of Accounts for 2011/12 is attached at Appendix A. Although further amendments are not anticipated, the auditor is currently undertaking a final quality review and it is still possible that minor amendments will be required before publication. Should there be any such changes these will be highlighted to the Audit Committee at the meeting.

1.3 The Council is also required to identify and report on any post balance sheet events that have occurred since 31 March 2012. The Statement of Accounts therefore includes all post balance sheet events up to and including the 18 September 2012.

1.4 As part of the final audit requirement, and prior to the issue of the audit certificate, the Council is required to complete and sign a formal letter of representation and submit this to the auditor. In line with last year this letter may be signed by the Director for Corporate Services and the Chair of Audit Committee and is attached at Appendix B.

1.5 The Accounts have been produced in line with the relevant CIPFA Codes of Practice for 2011/12 and details of the main changes in the Codes are outlined in section 2 of this report. The auditor has outlined in the ISA 260 report being presented to this Committee that he is satisfied that the Accounts have been complied in accordance with the Code of Practice on Local Authority Accounting 2011/12 (The Code).

1.6 Council Officers would like to express their thanks to the Audit staff for their help and assistance in producing and finalising the Council's Statement of Accounts.

2. The 2011/12 Codes of Practice

2.1 There are two main Codes of Practice relevant to the production of the Statement of Accounts which CIPFA publish on an annual basis:-

- The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code)
- The Service Reporting Code of Practice for Local Authorities (SeRCOP)

2.2 The Code of Practice on Local Authority Accounting 2011/12 (the Code)

2.2.1 The 2011/12 Code of Practice on Local Authority Accounting (the Code) is based on approved standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Committee (IFRIC) except where these are inconsistent with specific statutory requirements.

2.2.2 The key changes applicable to Plymouth's accounts for 2011/12 include:-

- Adoption of FRS30 Heritage Assets to separately identify and report on the value of assets held by the Authority for their cultural, environmental or historical associations; examples being Drakes Cup and the Astor Diamonds.

- A new requirement to disclosure employee exit packages.

2.2.3 Adoption of FRS30 Heritage Assets

The adoption of FRS30 Heritage Assets has brought a new category of Non Current Assets into the balance sheet. The Council has reviewed its disclosure of Community Assets to identify any items that meet the criteria for classification as Heritage Assets. This review has resulted in a number of assets being identified for reclassification and in addition, a number of assets that could be recognised on the balance sheet for the first time being reinstated as at 1 April 2010.

The change of treatment has a material impact on the Council accounts, with Heritage Assets of £19m now being recognised on the balance sheet. A breakdown of the category of assets is disclosed in Note 13 to the financial statements.

2.2.4 Disclosure re employee exit packages.

This new disclosure requirement means authorities must now report the number and value of severance payments made to employees, analysed between compulsory redundancies and other departures. The information must be reported in financial bands which can be combined where this is necessary to ensure that individual exit packages cannot be identified (Note 29.3 to the Financial Statements refers).

2.3 The Service Reporting Code of Practice for Local Authorities (SeRCOP)

2.3.1 The Service Reporting Code of Practice (SeRCOP) replaces the Best Value Accounting Code of Practice (BVACOP) from 2011/12. CIPFA has introduced this revised Code for local authorities following the incorporation of requirements re International Financial Reporting Standards (IFRS) and the Governments transparency agenda.

2.3.2 The main change within the 2011/12 SeRCOP, which is evident within the Accounts, is the revised Service Expenditure Analysis shown within the Comprehensive Income and Expenditure Statement. Income and Expenditure previously reported under the heading Culture, Environment, Regulatory and Planning Services has now been split into three – Cultural and Related Services, Environmental and Regulatory Services and Planning Services. The 2011/12 comparative figures have been restated to reflect the new analysis.

3. Other issues affecting the Accounts for 2011/12

3.1 Incorporation of Tamar Bridge & Torpoint Ferry Operation into the Council's single entity accounts

3.1.1 Following a recommendation from the auditor in the 2010/11 ISA260 report, a full review of the accounting treatment in respect of the Tamar Bridge and Torpoint Ferry Joint Committee (TBTFJC) has been undertaken. This review took place during 2011/12 involving both Officers from the Council and Cornwall Council together with the respective auditors. The findings of the review were as follows:

- Plymouth City Council and Cornwall Council have joint effective control over the general operations of the TBTFJC and its financial and operating policies.

- It has been established that the Council's interest in TBTFJC falls under the definition included within the code of a Joint Controlled Operation not a Jointly Controlled Entity. This is primarily due to the Joint Committee's inability to enter into contracts in its own name or raise finance for the purposes of the Joint activity.

- Both parties have a 50% right (both legally and contractually) to the assets and obligations for the liabilities and the two parties share all interests in the assets.

- There is no investment value as no amount was contributed by the Joint Committee partners.

3.1.2 The change of definition to Jointly Controlled Operation has led to a change in accounting treatment. The Council for the first time included its 50% interest in the assets and liabilities of The Tamar Bridge & Torpoint Ferry Joint Committee into its single entity accounts on a line by line basis.

3.1.3 This change of treatment has a material impact on the Council's accounts. The main impact is to bring in half of the value of the Tamar Bridge (over £200m) onto the Council's balance sheet. In total some £103.9m of net assets have been brought onto the Council's restated balance sheet as at 1 April 2010, offset by £0.4m in earmarked reserves and £103.5m in unusable reserves.

3.2 Group Accounts not required for 2011/12

3.2.1 Following the reclassification of the TBTFJC, a review of the other related group entities shows that the materiality effect of the other entities either individually or collectively on the asset / liability balances stands considerably below 5%. The largest entity is Tamar Science Park and it is not considered to be significant in terms of the level of provision of statutory services, and therefore group accounts have not been required.

3.2.2 The preparation of single entity accounts is considered to provide more succinct and relevant information to the potential users of the accounts. These accounts are comprehensive and explanatory and the activities of the other entities are not considered to be significant to the representation of operational activities of the authority as a whole. Their financial information is separately available.

3.3 Review of the Statement of Accounts document

3.3.1 The Audit Commission published a briefing paper in January 2012, 'Let's be Clear - Making local authority IFRS accounts more accessible and understandable'. The paper focused on the complexity of local authority accounts and the fact that these documents are very long, with a large quantity of explanatory material to support the financial statements. This problem is not unique to local government or the UK, and the coming years may well see action taken to try to reduce unnecessary complexity and the length of accounts.

3.3.2 With this in mind, Officers undertook a review of the content of the Accounts as the authority's 2010/11document ran to nearly 200 pages against the average for an unitary authority of around 140 pages. The review was undertaken in line with the disclosure requirements within the Code and in consultation with the auditor, and the result is the 2011/12 document being considerably reduced in length to 120 pages.

3.3.3 Officers will continue to review the content of the document during 2012/13 with the aim of making further improvements on the work done this year.

3.4 Removal of the Housing Revenue Account

The 2011/12 accounts no longer include any sections relating to the Housing Revenue Account following its formal closure on the 31 March 2011. This was as a consequence of the transfer of Housing Stock to Plymouth Community Homes in 2009.

3.5 Separate publication of the Annual Governance Statement

This year the Statement of Accounts does not incorporate the Annual Governance Statement (AGS). The AGS is a key Council document in its own right and was reported to Audit Committee on 21 June 2012. Although previously it was included as part of the Statement of Accounts, this is not a statutory requirement.

4. Restatement of the 2010/11 Accounts

4.1 Both the change of accounting policy in response to adoption of FRS30 Heritage Assets and the change of treatment of TBTFJC has led to the need to restate various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2010/11.

4.2 The Code requires a third opening Balance Sheet when an authority applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. The 2011/12 Balance Sheet and related disclosure notes therefore present the financial position at the 3 relevant dates being 1 April 2010, 31 March 2011 (2010/11 opening and closing balances) and 31 March 2012.

5. Key Messages 2011/12

5.1 Comprehensive Income and expenditure statement (CIES)

The Council incurred a deficit of £22.502m on the Provision of Services in 2011/12. This compares to a restated deficit of £73.822m in 2010/11. The difference is due to significant impairments on asset values charged to Children's and Educational Services, and losses on disposals in 2010/11, both of which relate to the accounting treatment of the transfer of schools to academies.

5.2 Balance Sheet

The Council's net worth at 31 March 2012 as represented on the Balance Sheet is £206.928m, compared to £335.676m at 31 March 2011. The reduction is due in the main to an increase in the long-term pension liability of £115.916m.

5.3 Reserves and Provisions

Overall, general reserves remain healthy:

- Working Balance of £11.301m, 5.5% net revenue spend
- Earmarked reserves £26.437m
- Usable capital receipts £9.289m
- Provisions £10.686m

6. Post Balance Sheet Events (PBSE)

6.1 Although the Statement of Accounts shows the financial outturn position for 2011/12 and Balance Sheet position as at 31 March 2012, the Council is required to take into account items occurring after 31 March 2012 if they would have a material effect on the figures. Note 7 outlines those events arising after 31 March 2012. The note has been updated to reflect the position as at 18 September 2012, being the date these accounts were authorised for release to Audit Committee.

6.2 There is one PBSE reported in Note 7 of the financial statements relating to the Heart of the South West Local Enterprise Partnership (HotSWLEP). The Council became the Accountable Body for HotSWLEP during 2011/12, being one the partners in this newly formed economic alliance together with Torbay Council, Devon County Council and several private sector organisations. However, since the draft statements were published, and with the agreement of all relevant parties, responsibility for the financial administration of the LEP has transferred to Devon County Council (DCC). It was established that DCC has greater capacity to undertake the role of the Accountable Body with regard to the evolving nature of the fund. This change only affects the administration of the LEP and the Council continues to be fully committed to the initiative in all other aspects. At the year-end the Council held £21m on behalf of the LEP; this is reflected in the accounts and was not affected by the PBSE.

7. Agreed Audit Amendments

7.1 The auditor's report outlines a number of changes they are recommending be made to the draft 2011/12 Statement of Accounts published in June. These have been discussed and agreed with Officers, and are reflected in the final statements being presented for approval. In summary the amendments, and the impact on the reported position, are as follows:

7.2 <u>Amendments to the Main Financial Statements</u>

There have been no changes to the main financial statements from those presented in the draft Accounts in June.

7.3 <u>Amendments to Disclosure Notes</u>

7.3.1 The following disclosure notes have been amended:

- Note 7 - Events after the Balance Sheet Date – updated to reflect events up to 18 September 2012
- Note 12.1 Property, Plant and Equipment – corrections to the analysis of Movement in the year for both 2010/11 and 2011/12 (further details on this are reported in the External Auditor's report also on this agenda)
- Note 12.3 Trust, Foundation, Voluntary Aided and Academy Schools – amended to include reference to Academy schools previously omitted
- Note 17.5 Nature and Extent of Risks Arising from Financial Instruments – disclosure updated to reflect further repayments of £0.080m received in relation to the Icelandic Banks since the draft accounts were published
- Note 29.2 - Remuneration above £50,000 – removal of TBTFJC employees as salaries fall below £50,000 threshold when PCC 50% share used
- Note 30 - External Audit Costs – correction of analysis of fees; total remains the same
- Note 35.11 Basis for Estimating Assets and Liabilities – correction to percentage rates

7.3.2 In addition, there have been various grammatical and punctuation corrections to the document identified by both Officers and the Auditor.

8. Audit issues not amended

8.1 The Auditor has advised that the Council should follow the LAAP guidance in respect of the treatment of Icelandic Bank investments and associated outstanding liabilities. The Council has maintained a consistent approach over the last few years of being prudent, and only reducing the impairment as repayments are actually received.

8.2 The auditor has continued to recommend writing out pre-2000 Council Tax debt of £4.7m. However, as the Council is still receiving payments in relation to this debt, further work needs to be undertaken to gain a clearer position in relation to the likely recovery levels before the write-off is completed. As this debt is fully provided for there will be no net impact on either the Collection Fund or the Council's overall financial position. The write-off of these debts will be completed and managed within the framework of our current financial regulations, and the associated bad debt provision reduced as appropriate during 2012/13.

9. Recommendations

9.1 Audit Committee note the amendments made to the Statement of Accounts for 2011/12 as agreed with the Auditor, and outlined in this report.

9.2 The Statement of Accounts for 2011/12 attached at Appendix A be approved.

9.3 The letter of representation attached at Appendix B is authorised and submitted to the Auditor.

9.4 Officers continue to review the production and contents of the Statement of Accounts with a view to securing further improvements for the 2012/13 Statement of Accounts.

APPENDIX A

STATEMENT OF ACCOUNTS 2011/12

PLYMOUTH CITY COUNCIL

CONTENTS

EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS 2011/12

Introduction

The Statement of Accounts is published to show local people and others what services the Council has spent money on during the year and how these have been funded and show the results of the stewardship and accountability of elected members for the resources entrusted to them. Inevitably it contains technical language and a glossary to help explain some of the terms can be found at the back of the publication.

The Accounts and Audit (England) Regulations 2011 require the Council's Section 151 Officer, the Director for Corporate Services, to certify that the accounts present a 'true and fair' view of the financial position of the Council as at the 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

Although the Statement of Accounts shows the financial outturn position for 2011/12 and Balance Sheet position as at 31 March 2012, the Council is required to take into account items occurring after 31 March 2012 if they would have a material effect on the figures presented and to publish the relevant date. The Draft Statement of Accounts therefore includes all post Balance Sheet events up to and including the 18 September 2012.

The Statements are required to be prepared in accordance with the Code of Practice on Local Authority Accounting, which is represented by two key documents:

- Code of Practice on Local Authority Accounting applicable for the 2011/12 accounts (The Code)
- The Service Reporting Code of Practice (SeRCOP) which replaces the Best Value Accounting Code of Practice (BVACOP) from 2011/12.

These codes are updated annually by the Chartered Institute of Public Finance and Accountancy (CIPFA). The main changes for the 2011/12 accounts are discussed overleaf.

The Council's statements have been prepared with due regard to the following:

Quality of information

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

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

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

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

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

Overriding Accounting Concepts:

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

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

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

Issues affecting the Accounts for 2011/12

Incorporation of Tamar Bridge & Torpoint Ferry Operation as part of Council's single entity accounts

The Tamar Bridge & Torpoint Ferry Joint Committee (TBTFJC) has now been classified as a Joint Operation by both Plymouth City Council and Cornwall Council and therefore 50% of the Committee's accounts have been incorporated within each Council's accounts. TBTFJC had previously been included within the Authority's Group Account Statements. This change has required restatement of all the Authority's main financial statements and accompanying disclosure notes for 2010/11.

A review of other related group entities shows that the materiality effect of the other entities either individually or collectively on the asset / liability balances stands considerably below 5%. The largest entity is Tamar Science Park and it is not considered to be significant in terms of the level of provision of statutory services, and therefore group accounts have not been required.

The preparation of single entity accounts is considered to provide more succinct and relevant information to the potential users of the accounts. These accounts are comprehensive and explanatory and the activities of the other entities are not considered to be significant to the representation of operational activities of the authority as a whole. Their financial information is separately available.

2011/12 Accounting Code of Practice Changes

The 2011/12 Statement of Accounts has been prepared in line with CIPFA's codes of practice, the key changes which impact are as follows:

- Adoption of FRS30 Heritage Assets to separately identify and report on the value of assets held by the Authority for their cultural, environmental or historical associations.
- Additional disclosures in respect of employee remuneration and exit packages.

Other significant changes

The 2011/12 accounts no longer include any sections relating to the Housing Revenue Account following its formal closure on the 31 March 2011. This was as a consequence of the transfer of Housing stock to Plymouth Community Homes in 2009.

In addition, this year the Statement of Accounts does not incorporate the Annual Governance Statement (AGS). The AGS is a key Council document in its own right and was reported to Audit Committee on 21 June 2012 and can be found on the following link.

http://www.plymouth.gov.uk/mgInternet/documents/s38881/8%20-%20Annual_Governance_Statement_2011%2012_Report_to_Audit_Committee_21st_June_2012.pdf

It describes the Council's governance arrangements and systems of risk management control to manage/minimise the Council's exposure to risk. Previously it was included as part of the Statement of Accounts, however this is not a statutory requirement, providing there is a clear link referenced.

Overview of the Accounting Statements

A full list of the Authority's accounting statements for the year 2011/12 is set out in the contents page at the beginning of this document. The Statements contain a number of technical terms, many of which are explained in the Glossary at the end of this document. The main statements are explained below:

Movement in Reserves Statement (page 18)

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' i.e. those that can be applied to fund expenditure or reduce local taxation, and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement (page 19)
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with Regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Council incurred a deficit of £22.502m on the Provision of Services in 2011/12. This compares to a restated deficit of £73.822m in 2010/11. The difference is due to significant impairments on asset values charged to Children's and Educational Services, and losses on disposals in 2010/11, both of which relate to the accounting treatment of the transfer of schools to academies.

The Council's Balance Sheet (page 20)
The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt. The second category of reserves relates to those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses e.g. the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under Regulations'.

The Council's net worth at 31 March 2012 as represented on the Balance Sheet is £206.928m, compared to £335.676m at 31 March 2011. The reduction is due in the main to an increase in the long term pensions liability of £115.916m.

The Cash Flow Statement (page 21)
The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

The Collection Fund Account (page 109)
The Collection Fund (England) 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 distribution to local authorities and the Government of Council Tax and Non-Domestic Rates. The Collection Fund is a separate statutory fund, which details the transactions in relation to Non-Domestic Rates (Business Rates) and the Council Tax, and the distribution to preceptors and the General Fund. The Collection Fund balances are consolidated with the other balances of the Council (as the billing Authority) in the Council's Balance Sheet (page 20).

Review of 2011/12

The Council agreed its annual budget for 2011/12 on 28 February 2011 at £208.237m net and during the year both Cabinet and Overview and Scrutiny Management Board have received quarterly budget and performance monitoring reports identifying forecast variances against the approved budget. The final report for 2011/12 was presented to Cabinet on 12 June 2012. The budget and subsequent monitoring reports within this Explanatory Foreword are based on the Council's management accounts. At the end of the year a number of presentational and accounting entries are made to the management accounts in order to take account of the requirements of The Code and produce the statutory Statement of Accounts in a format consistent across all authorities.
The following pages summarise the Council's financial performance for the year and, where applicable, compares the management accounts to the statutory statements.

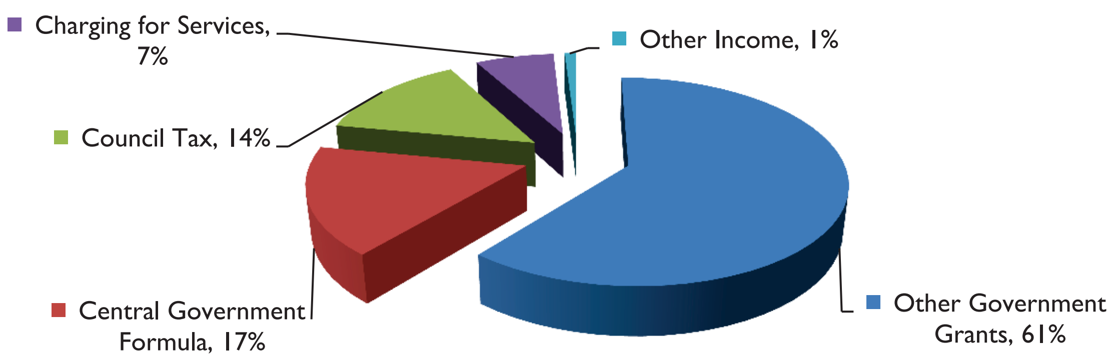
General Fund Revenue Account

The General Fund Revenue Account forms the main element of the Council's expenditure and covers the majority of the activities of the Council. The Council's final net expenditure for the year was £208.350m (including additional transfers to and from provisions and reserves as required in accordance with statutory provisions) an adverse variation of (£0.113m). The deficit for the year has been met from the General Fund Working Balance as approved at Cabinet on 12 June 2012.

The revenue budget is financed from Council Tax, fees and charges, Government grants, external contributions and other income. The following diagram is helpful in understanding how the 2011/12 revenue budget was financed:-

Figure 1

2011/12 Income Sources



The Council set a band D Council Tax for the year of £1,244.67 at its meeting of 28 February 2011, which represented no increase from the previous year as the Council accepted a central government council tax freeze grant.

Directorate Outturn for 2011/12

Table 1 shows the performance of each Directorate against the approved budget for the year.

Table 1

Directorate	Latest Approved Net Budget £000	Actual Net Expenditure £000	Variation From Approved Budget £000	Variation From Approved Budget %
Director for Children's Services	49,292	47,463	(1,829)	(3.71%)
Director for Community Services	107,905	110,046	2,141	1.98%
Director for Development & Regeneration	18,326	18,404	78	0.43%
Director for Corporate Support	29,566	29,428	(138)	(0.47%)
Chief Executive	2,611	2,636	25	0.96%
Corporate Items and Capital Financing	537	(362)	(899)	167.41%
Sub Total	**208,237**	**207,615**	**(622)**	**(0.30%)**
End of year transfers to/(from) specific reserves and provisions in relation to corporate health adjustments		735	735	n/a
Total General Fund Budget	208,237	208,350	113	0.05%
Transfers to/(from) Council's Working Balance		(113)	(113)	n/a
Final Budget Requirement	**208,237**	**208,237**	**0**	**0**

Note: ( ) denotes surplus/favourable

The management accounts have been reported in the structure which was in place for the majority of the financial year with five directorates, which has now been reduced to four.

In line with previous years, Cabinet set budget variation targets of no more than 1% for overspends and 2% underspend for 2011/12. Individual departmental variances are reported within quarterly monitoring reports. This was supplemented by detailed departmental performance scorecards which brought together variations in both budget and performance with the narrative within the scorecards intended to provide a high level overview with a focus on explaining corrective action where required. Although formal public reporting has been on a quarterly basis, monthly scorecards were submitted to Corporate Management Team (officers) and Cabinet Planning (cabinet council members).

Whilst the final position for the year does show that the budget variation targets was exceeded in Community Services in terms of a budget overspend just above the target, this was more than offset by favourable variances in other areas as a result of specific management action to deliver a break even budget overall. Close monitoring of the budget enabled timely action to be implemented to bring the overall budget under control. The final variation at 0.05% adverse remains well within the target set.

There were no other unusual or material items to report in the management accounts, although note 6 page 47 outlines material transactions in relation to the statutory accounts.

The main issues faced by the Directorates during the year were as follows:

Childrens Services

Life Long Learning
The department's year-end position reflected a favourable position of (£0.845m) before year-end adjustments. The savings relate to the early achievement of delivery plans within the 2013/14 budget and vacancy savings. Additional savings have occurred as departmental redundancy costs being met centrally.

Learner and Family Support
The favourable year-end position of (£0.808m) stems from delivery plans achieving more savings than originally forecast plus efficiencies within the Education Catering Service. Previously reported budget pressure in transport has been managed down. Delays in recruiting to new structures have led to additional in-year savings against some planned projects.

Children's Social Care
Social Care achieved a favourable variation of (£0.346m) for the year, despite the increased expenditure in the final quarter. The year-end position includes slippage in commissioning and the youth crime prevention activity. The number of residential placements has increased from 20 to 21 (against a target of 13) and the number of Independent Sector Foster placements has increased from 65 to 67 (against a target of 56). Overall, the numbers and cost of those placed within Independent and residential settings has increased particularly around parent and child assessment placements.

Community Services

Environmental Services
The year-end position of £26.556m translates into a £1.074m overspend. This is attributable to the fact that not all the targeted savings were achieved together with the following adverse factors: increased waste tonnages for the year of 78,665 compared to forecast 78,000, higher waste collection vehicle charges, A38 litter clearance costs and the write off of the Landfill Allowance Tax balances due to this year being a "target year" (surpluses cannot be carried forward). This has been offset by transport savings through new glass recycling contract, slippage with spend on in-cab technology for trade waste service and washer unit repairs.

Adult Social Care
The year-end position, before corporate adjustments is break even against a budget of £71.845m. Health and social care funds have enabled the service to continue to meet demands for care and avoid raising the eligibility criteria for the service, mitigating an adverse impact upon the whole health and social care system. The strategy to utilise health and social care funds has been agreed with colleagues in Health and approved by Cabinet. The main pressures within Adult Social Care have been reported during the year and include increased supported living costs across a range of client groups in particular Learning Disability. In addition, health funds for social

care have also been used to implement more preventative services such as reablement, practical support to live at home and improving information, advice and advocacy. Not all the £6.213m health for social care fund could be utilised in 2011/12. Therefore £2.234m will be carried forward to fund activities within the programme that have slipped into 2012/13, for example disabled facilities grants and a number of smaller projects in addition to continuing to address known pressures.

Development & Regeneration

Overall the Directorate has remained within budget tolerance (minor overspend of £0.078m) and is performing favourably with few current high risks. The overall economic environment remains challenging and worklessness, particularly amongst the young, is a major concern, though our performance here is around the national average. Recent proposals for building a new ice rink and remodelling the Pavilions indicates that there is confidence in the city's future. The East End public transport scheme has been completed and a cross sector task force is trying to influence the forthcoming Greater Western rail franchise. The Council is working on delivering new and affordable homes and bringing empty homes back into use. Significant planning applications have been approved, including the Energy from Waste Scheme, and bids have been made to a number of government funding streams. BT has announced the further roll out of superfast broadband across more parts of the city. An Urban and Community Asset Transfer Policy is currently being developed.

Corporate Support

The Directorate's final net revenue outturn was £29.434m, a minor underspend of £0.132m.

Finance, Assets and Efficiencies

Improvements to Revenues and Benefits processing times were starting to materialise by the end of the financial year. The service will continue to reduce processing times and the service is now looking at achieving an overall target of 15 days by August 2012 (compared to 30 days as at the beginning of 2011). For the third year in a row, the actual percentage of income collected for Council Tax has improved and now stands at 96.30%.

ICT

Availability of the top 14 services has consistently remained above target throughout the year. A bug in the Microsoft software affected performance for March 2012, however relevant fixes have addressed this problem.

Human Resources

Sickness absence for 2011/12 amounted to an average of 9.78 days per FTE across the Council. This is an improvement of 2.14 days per employee compared with 2010/11 where the average was 12.92 days per FTE.

Overall Position

In light of this, and as an integral part of the financial health review for the year, Cabinet approved a number of transfers to/from provisions and reserves. The net effect resulted in a deficit for the year of £0.113m. (Prior to minor adjustments identified during the preparation of the Statement of Accounts).

Working Balance

The Working Balance at the start of the year was £11.413m. After taking into account the final deficit for the year totalling £0.112m (including other minor adjustments identified during preparation of the statutory accounts), the Working Balance at 31 March 2012 was £11.301m.

A Working Balance of £11.301m equates to 5.5% of the net revenue budget for 2012/13 and remains in line with the Medium Term Financial Strategy (MTFS) which is to maintain a Working Balance of at least 5%.

A reconciliation of the Management Accounts, reported to Cabinet on 12 June 2012, to the Movement in General Fund Balance as per the statutory Movement in Reserves Statement on page 18, is shown below. A more detailed reconciliation is contained in the amounts reported for resources allocation decisions note 24 page 79.

Reconciliation of Management Accounts to Statutory Accounts shown in the following table:

Table 2.

	PCC prior to consolidation TBTFJC £000	TBTFJC * £000	Total £000
Final positions reported in Outturn reports	112	(476)	**(364)**
Transfer to TB&TFJC Earmarked Reserve		476	**476**
Net transfer from Working Balance	**112**	**0**	**112**
Deficit on provision of services as per CIES (page 19)	21,013	1,489	**22,502**
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 8 page 48)	(12,808)	(1,965)	**(14,773)**
Net (increase)/decrease before transfers to Earmarked Reserves	8,205	(476)	7,729
Transfers (to)/from earmarked Reserves	(8,093)	476	**(7,617)**
(Increase)/decrease in Working Balance for the year	**112**	**0**	**112**

* This represents 50% share of TBTFJC as PCC's share

Trading Operations

The Council continues to operate a number of trading operations, although for internal trading operations such as catering and building cleaning the trading outturn is included within the relevant departmental figures. However some non-statutory services continue to be operated as separate trading or ring fenced accounts and for which separate reserve accounts are maintained, the main ones being:

- Off Street Parking
- On Street Car Parking
- City Market

Any surpluses and deficits from these trading operations are retained in the relevant Reserve accounts. This is after any budgeted contributions to General Fund activities.

The final position on the trading accounts for 2011/12 is shown in table 3.

Table 3

Trading Activity	Trading Estimates 2011/12 £000	Final Trading Position for 2011/12 £000	Variation to Estimate £000
City Market	67	143	76
Off Street Parking	(805)	(424)	381
On Street Parking	(1,539)	(1,702)	(163)

The trading operations continue to be affected by recessionary pressures. The parking accounts in particular have seen a reduction in parking fee income, however for on street parking in particular this has been partially offset by increased penalty charge notice (PCN) income.

The Statutory Accounts differ from the Council's management accounts for these operations due to adjustments for the following items:

- Pension costs under IAS19
- Capital Charges
- Employee benefit accruals

Further detail on the trading operations is given in note 25 page 83.

Capital

The Council's capital programme for 2011/12 was approved at £85.201m however with the new approvals and slippage that were approved in April 2011, this was amended to £98.216m.

Capital expenditure generally relates to the creation of fixed assets and other items with a useful life or benefit of greater than one year. In many instances capital expenditure on a scheme will extend beyond one year and it is therefore normal for there to be variations in the programme during the year.

The final capital spend for the year was £72.472m. Table 4 shows details of the performance for each Directorate in terms of the achievement of the capital programme against the original budget and the final revised budget (the main movement between the original and revised budgets was the reprofiling of the £19m academy schemes).

Table 4

Directorate	**Original Budget £000**	**Revised Budget £000**	**Outturn £000**	**Variation to Revised Budget £000**
Corporate Support	10,274	7,662	6,375	(1,287)
Development and Regeneration	24,171	28,321	25,567	(2,754)
Children's Services	36,427	15,727	14,833	(894)
Community Services	27,344	26,951	25,697	(1,254)
Net Capital Programme for Year	**98,216**	**78,661**	**72,472**	**(6,189)**

Note: ( ) denotes surplus/favourable

The Capital Programme was financed as follows:

	£000
Capital Receipts	18,526
Loans	17,834
Capital Grants & Contributions	31,875
Revenue and other funds	4,237
Total Financing	**72,472**

The main sources of capital grant funding are: Lottery Grant, Department for Education & Skills, Department for Transport Section 56, Department for Communities and Local Government (DCLG) (including Disabled Facilities grant) and Section 106 developer's contributions. Further details of capital grants received in the year are given in note 31.2 on page 92.

At the end of the year the Council has £18.268m of grant and contributions available for financing the capital programme, including £5.034m of Section 106 and other contributions from developers.

<u>The Major Capital Projects in 2011/12 were:</u>

Spend in 2011/12 on new assets acquired, or assets under construction at 31 March 2012:

- Estover Community College (Tor Bridge High) replacement school - £6.843m
- Life Centre - £20.960m
- Chelson Meadow works – capping & leachate - £4.039m
- East End Community Transport Scheme - Works at Gdynia Way £7.575m
- Devonport Park £1.322m
- Vehicle and Plant replacement - £1.376m

Spend on improvement or enhancement to existing assets:

- Local Transport Plan schemes - £2.144m

- Schools conditions improvements - £0.521m
- Highway maintenance & essential engineering - £3.391m
- Schools Basic Need programme - £1.097m

Other Expenditure

- Disabled Facilities Grants - £1.199m

Treasury Management Activities

The Council's Treasury Management Strategy for 2011/12 was approved by full Council on 28 February 2011. As an overriding principle, the strategies proposed that in the current financial climate the Council should continue to minimise risk contained within its current debt and investment portfolios by establishing an integrated debt management and investment policy which balanced certainty and security with liquidity and yield. The Council should seek to make greater use of short term variable rate borrowing, whilst at the same time seeking to balance its investments across a range of investment instruments.

An annual report on the progress of Treasury Management activities against the strategy for the year is required to be presented to full Council and, can be found on our website: http://www.plymouth.gov.uk/homepage.htm

External Borrowing

At the year end, borrowing from external lenders totalled £206.398m, as shown in Table 5. This should be viewed in relation to the value of the Council's operational land and buildings, plant and equipment and investment properties, which have a net book value of £769.247m at the 31 March 2012. The table below shows the absolute cash value of the debt. This differs from the Balance Sheet value which is required to be accounted for using the effective interest rate methodology, which requires interest payments due at the end of the year to be accrued and added to the carrying value of the loan, with the amount charged to revenue being the amount payable in year according to the loan agreement. The financial instruments disclosure note 17 page 57 gives more information on the Council's borrowings, including the equivalent fair value of the loans had these been taken out as at the Balance Sheet date.

Table 5

Type of Debt	**Principal O/S £000**	**Average Rate %**
PWLB (Public Works Loan Board)	61,315	5.4001
Market Loans	130,000	4.4202
Bonds	83	1.1668
Temporary Loans	15,000	0.2900
Total Borrowing	**206,398**	**4.4098**
PFI	31,017	
Other Finance lease liability	2,585	
Other liabilities	9,408	
Total Debt 31/03/11	**249,408**	

Icelandic Bank Update

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £13m deposited across 3 of these institutions, with varying maturity dates (up to early 2009) and interest rates.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers. The latest position on the recoveries of monies invested in the Icelandic banks is as follows:

Heritable bank - to date the Council has recovered £2.261m made up of principal of £2.151m and £0.110m of interest representing 71.71% of the agreed claim, leaving a balance outstanding of £0.892m (including interest).

Landsbanki - to date the Council has recovered £1.748m made up of principal of £1.655m and interest of £0.093m representing 41.37% of the agreed claim. The balance outstanding reflected in the Council's accounts is £2.477m (including interest).

Glitnir Bank - to date the Council has recovered £5.033m made up of principal of £4.742m and interest of £0.291m representing 79.03% of the agreed claim.

The Council continues to pursue recovery of the outstanding monies through the Icelandic Courts in partnership with the Local Government Association working on behalf of all Authorities with residual Icelandic Deposits. The cumulative impairment charge for the Icelandic banks outstanding debt was £7.665m, made up of principal of £5.904m and interest £1.761m. This was charged to the Council's revenue account in 2009/10 and funded from the approved Capitalisation Direction and reserve transfer.

The impairment charge was calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered. Following continued uncertainty over the recovery of deposits this impairment was not changed in the 2010/11 accounts.

The Council has reduced this impairment by £1.285m in 2011/12 in line with recoveries made up to the date of publishing these draft accounts. The calculation of the impairment by the Council differs from the guidance issued by CIPFA under LAAP 82 (as updated May 2012) which, recommends the recoveries for Heritable, Landsbanki and Glitnir based on assumed collection rates of 86%, 100% and 100% respectively. The Council has used a prudent approach in calculating the impairment adjustment due to the continued uncertainty over the level of future recovery. If the Council had applied the LAAP guidance the impairment adjustment would have been a reduction (to the impairment) of £4.751m, compared to the actual impairment adjustment made of £1.285m, a difference of £3.467m. The impairment will continue to be reduced as and when further recoveries are made.

<u>Repayments made since June 2012</u>
Repayments totalling £0.080m relating to the outstanding Icelandic Bank Debt have been received since the draft accounts were prepared in June. There have been no adjustments to the financial statements for these receipts which will be accounted for in 2012/13.

Pension Liabilities

Plymouth City Council employees are eligible to join the Local Government Pension Scheme (LGPS) which is managed by Devon County Council on behalf of the Devon Authorities. The accounting requirements of International Accounting Standard (IAS) 19 have resulted in a pension liability of £336.135m being reflected in the Council's Balance Sheet. This represents Plymouth City Council's liability to the Local Government Pension Scheme (LGPS). In addition, the Council discloses a long-term creditor of £16.438m on the Balance Sheet. This represents its share of Devon County Council's ongoing liability to pay enhanced pension costs that existed at the time of Local Government Reorganisation in 1998.

These amounts are matched by a pensions reserve and therefore have no impact on the Council's revenue balances. The pensions liability as at 31 March 2012 has increased following the actuaries review of the position.

The negative balance that arises on the Pensions Reserve 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 level of contributions required to be made by the Council into the fund are set by independent actuaries. The contribution levels are reviewed every three years following a triennial review of the fund by the actuaries. The current contribution rate is based on 19.4% of pensionable salary costs for those employees in the Devon pension scheme and this will remain until 2014 when the next full actuarial is undertaken.

Further details about pension liabilities can be found in note 35 page 98.

Partnership Arrangements

Local Strategic Partnership (LSP)
The Partnership has continued to work on the four main priorities for the city: Growth, Inequality, Aspiration and Value for Communities. There is an agreed set of indicators to measure progress against the four priorities.

The Partnership has established an integrated planning process with main partners which has aligned planning and budget cycles to provide a more effective and efficient means of addressing the agreed priorities for the city. This has been evidenced by the inclusion of senior staff of partner organisations at the Council's budget scrutiny meetings for 2012/13.

The Health and Wellbeing group of the LSP was set up mid 2011/12 to bring forward joint commissioning of local services to improve the health and wellbeing of service users. Previously services were provided in relative isolation by health and local authority services, and the change has resulted is a significant increase in joint commissioning reflected in additional agency services to the value of £14m undertaken by the Council on behalf of Health.

Heart of the South West Local Enterprise Partnership (HotSWLEP)

During 2011/12 Plymouth City Council acted as the Accountable Body for the Growing Places Fund (GPF) on behalf of the Heart of the Southwest Local Enterprise Partnership (HotSWLEP). The GPF, allocated by the Department for Communities and Local Government (DCLG), will be used by the HotSWLEP to invest in key items of infrastructure to enable development. The money invested in projects may be required to be returned to the LEP for re-investment in further infrastructure projects.

The funds, totalling £21.5m, were received by PCC during February 2012 and it will be the HotSWLEP who will have responsibility for allocating the funding to specific projects that fit the funding criteria. The projects will be monitored and assessed by the HotSWLEP with the Accountable Body ensuring that the funding is being used on capital projects only.

The Council ceased to be the Accountable Body for the Growing Places Fund in August 2012, with this responsibility being transferred to Devon County Council with both parties' agreement. This change only affects the administration of the LEP and the Council continues to be fully committed to the initiative in all other aspects. Further details are provided in the Material Events after the Balance Sheet date section below and in Note 7 on page 47.

Highways Maintenance

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

The contract is for a period of 7 years, extendable by a further 3 years, with an estimated total value of approximately £150m.

Material Events after the Balance Sheet date

Heart of the South West Local Enterprise Partnership (HotSWLEP)
On 4 August 2012, Devon County Council agreed to take over the accountable body responsibility for this fund. As a result, Plymouth transferred the £21m on 6 August 2012 to Devon County Council. This was due to the fact the DCC has a greater capacity to undertake this role with regard to the evolving nature of the fund. A post balance sheet event to this effect has been added at Note 7 on page 47.

Financial Position of the Council

At 31 March 2012 the Council's Working Balance stood at £11.301m or 5.5% of the net revenue budget for 2011/12.

In addition to the Working Balance, the Council has a number of earmarked reserves, set up specifically to meet the costs of future spending plans or known budget pressures. At 31 March 2012, the total earmarked reserves were £26.437m, including £5.721m held on behalf of education/schools. The more significant reserves, in addition to the schools reserves, are:

	£000
Redundancy Reserve	2,625
Waste Reserve	1,600
Accommodation Reserve	1,374
Pensions Reserve	1,088
Invest to Save	1,300
Budget carry forwards/Policy initiatives	1,221
Insurance & Risk Management Reserve	1,184
Tamar Bridge & Torpoint Ferry	1,495

Further details of the Council's reserves are included in note 22 page 69.

The Council also has a number of budget provisions set up to meet known liabilities. The main provisions include the insurance fund, and back dated equal pay claims. Provisions held at 31 March 2012 totalled £10.687m. With the exception of the back dated pay award claims arising since 1 April 2008, where the Council has taken advantage of a statutory regulation to defer the impact on its revenue budget until the claims are settled, all monies held in provisions have already been charged to the Council's revenue budget.

Further details of provisions note 21 page 68.

Contingent Assets & Liabilities

The Council has disclosed a number of contingent assets and liabilities in the notes to the accounts. Contingent assets identify potential income that the Council may recover either as a result of legal action or reimbursement of overpayments. The Council has declared contingent assets relating to a tax rebate on landfill liability, together with a potential airport receipt, however the timing and quantum of any such receipts is uncertain and is subject to a review of strategic planning policies applicable to the site.

This income is not currently included within the Council's 31 March 2012 financial position as it is not certain that it will be forthcoming.

Contingent liabilities represent areas that may result in a financial liability to the Council but which cannot be quantified with any certainty both in terms of timing and amounts and therefore have not yet been charged to the accounts. These are kept under continual review with the contingent liabilities forming part of the Council's strategic risk register and are regularly reported to Audit Committee.

The main contingent liabilities are:

- PLUSS Organisation Ltd - the Council has guaranteed payments into the pensions fund for transferred employees, has also provided a loan of £0.235m and jointly agreed a bank overdraft facility with Torbay and Devon County Councils.
- Single status equal pay claims - the Council has a number of claims currently subject to a tribunal hearing. However depending on the ruling of the tribunal, it is possible that further claims may be submitted. There have also been a number of equal pay claims following the transfer of staff to a new leisure services operator.
- Civic centre - a contingent liability has been disclosed whilst the future of the building remains to be determined.
- Connexions (Careers South West) - the Council has guaranteed to meet an element of pension liabilities should the organisation be wound up.
- Plymouth Community Homes (PCH) - as part of the housing stock transfer the Council was required to provide a number of warranties to the funders of PCH.

- Contaminated land - the Council is required to identify potentially contaminated land and may be required to implement remediation works.
- Treasury Management - potential investment losses.
- Eastern Corridor Integrated Transport Scheme - legal action/claim resulting from delays incurred in the Gdynia way transport scheme
- Redundancy payments - with regards to reducing the size of the organisation.
- Personal Search Fees - Legal claim disputing whether the Council can charge companies.

Further details of the Council's contingent assets and liabilities are given in note 36 page 105.

Regular reviews of the Council's financial health, in particular a review of reserves and provisions are undertaken during the year.

Looking Forward to the Medium Term

The Council is facing a series of challenging issues into the medium term. The grant budget reductions announced as part of the Comprehensive Spending Review (CSR) and the resulting reduction in grants under the 2011/12 Local Government Settlement will require the Council to have robust plans if it is to continue to improve.

In response to this, the Corporate Management Team, working with the Council's Cabinet members, is continuing to develop a transformational change programme that will fundamentally challenge the organisation's culture, structure and approach to service delivery. The budget plans submitted as part of the 2011/12 budget setting process included budget delivery plan savings of over £30m to be delivered over the next three years.

A return to quarterly reporting of joint finance and performance information has proved successful during 2011/12. The formal joint reports will continue to be supplemented by monthly scorecards to Corporate and Departmental Management teams, demonstrating progress against budget and delivery plans. The emphasis needs to be one of looking forward: updating the Medium Term Financial Forecast (MTFF) regularly as things change is essential if the Council is able to proactively plan for the future.

Although the Comprehensive Spending period covered a period of 4 years, the Local Government Finance Settlement gave resource allocations for a 2 year period only. The Government announced plans to undertake a Local Government Resource Review and a number of consultation documents and technical papers have been issued over the last few months. The review centres around Council's retaining locally raised business rate income. The proposals will be closely monitored and implications for the Council's finances reported to Cabinet as part of the quarterly reporting process.

CONCLUDING REMARKS

The Council's Director for Corporate Services, as the Council's Section 151 Officer, was required to sign the Accounts by a statutory deadline of 30 June.

Formal audit of the accounts for 2011/12 commenced on 2 July 2012. The accounts and all books, deeds, contracts, bills, vouchers and receipts relating to them were available for inspection by any person interested at the Finance Department, Civic Centre, Plymouth, Mondays to Fridays, between 8.30am and 5pm, from 2 July to 27 July inclusive.

Under the sections 15 and 16 of the Audit Commission Act 1998 and Regulations 9, 10 and 21 of the Accounts and Audit (England) Regulations 2011:

(a) Any person interested may inspect and make copies of the accounts and books etc. 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 0117 305 7600.
(c) If any elector intends to object they must give the auditor prior written notice of any objection and its grounds and send a copy of the notice to the City Council.

The auditor has confirmed that no objections were received.

The Accounts have subsequently been updated following the results of the audit and re- approved by the Director for Corporate Services. The final audited Accounts are required to be approved by Audit Committee and published by 30 September 2012.

Further information is available on the Council's website:

www.plymouth.gov.uk/homepage/Councilanddemocracy/accounts.htm

or from Chris Randall, Strategic Finance Manager, Civic Centre, Plymouth, PL1 2AA. Telephone: (01752) 304599. Email: corporateaccountancy@plymouth.gov.uk

The Council's statutory responsibilities regarding these Accounts are laid out in the section entitled 'Statement of Responsibilities for the Statement of Accounts' on page 17.

A Broome
Director for Corporate Services
Civic Centre
PLYMOUTH
PL1 2AA

Dated: 18 September 2012

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF 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 the Director for Corporate Services.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Director for Corporate Services' responsibilities:

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

In preparing this statement of accounts, the Director for Corporate Services 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 Director for Corporate Services 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 Director for Corporate Services confirms that these statements give a 'true and fair' view of the financial position of the Authority at 31 March 2012 and of its expenditure and income for the year ended 31 March 2012.

A Broome
Director for Corporate Services

Dated: 27 September 2012

APPROVAL OF STATEMENT OF ACCOUNTS BY AUDIT COMMITTEE

The Council is required to approve the Statement of Accounts. The 2011/12 Statement was approved by the Councils Audit Committee on 27 September 2012 following conclusion of the audit and was signed on its behalf by the Member presiding over the meeting on 27 September 2012.

Cllr G Wheeler
Dated: 27 September 2012

MOVEMENT IN RESERVES STATEMENT FOR THE YEARS ENDED 31 MARCH 2011 AND 2012

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	Note	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Restated Balance at 1 April 2010		**11,518**	**28,985**	**1,792**	**21,359**	**20,222**	**83,876**	**164,402**	**248,278**
Movement in Reserves during 2010/11									
Surplus or (deficit) on provision of services		(73,822)	0	0	0	0	(73,822)	0	(73,822)
Other Comprehensive Expenditure and Income		0	0	0	0	0	0	161,219	161,219
Total Comprehensive Expenditure and Income		**(73,822)**	**0**	**0**	**0**	**0**	**(73,822)**	**161,219**	**87,397**
Adjustments between accounting basis & funding under regulations	8	77,481	0	0	931	(6,451)	71,961	(71,961)	0
Net Increase/Decrease before Transfers to Earmarked Reserves		**3,659**	**0**	**0**	**931**	**(6,451)**	**(1,861)**	**89,258**	**87,397**
Transfers to/from earmarked reserves	22	(3,764)	5,191	(1,792)	200	0	(165)	166	
Increase/Decrease in year		**(105)**	**5,191**	**(1,792)**	**1,131**	**(6,451)**	**(2,026)**	**89,424**	**87,398**
Restated Balance at 31 March 2011		**11,413**	**34,176**	**0**	**22,490**	**13,771**	**81,850**	**253,826**	**335,676**
Movement in Reserves during 2011/12									
Surplus or (deficit) on provision of services		(22,502)	0	0	0	0	(22,502)	0	(22,502)
Other Comprehensive Expenditure and Income		0	0	0	0	0	0	(106,248)	(106,248)
Total Comprehensive Expenditure and Income		**(22,502)**	**0**	**0**	**0**	**0**	**(22,502)**	**(106,248)**	**(128,750)**
Adjustments between accounting basis & funding under regulations	8	14,773	0	0	(13,314)	(1,378)	81	(81)	0
Net Increase/Decrease before Transfers to Earmarked Reserves		**(7,729)**	**0**	**0**	**(13,314)**	**(1,378)**	**(22,421)**	**(106,329)**	**(128,750)**
Transfers to/from earmarked reserves	22	7,617	(7,739)	0	113	0	(9)	11	2
Increase/Decrease in year		**(112)**	**(7,739)**	**0**	**(13,201)**	**(1,378)**	**(22,430)**	**(106,318)**	**(128,748)**
Balance at 31 March 2012		**11,301**	**26,437**	**0**	**9,289**	**12,393**	**59,420**	**147,508**	**206,928**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT AT 31 MARCH 2012

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

Restated 2010/11 Gross Expenditure	Restated 2010/11 Gross Income	Restated 2010/11 Net Expenditure		Note	2011/12 Gross Expenditure	2011/12 Gross Income	2011/12 Net Expenditure
£000	£000	£000		2	£000	£000	£000
93,735	(20,005)	73,730	Adult Social Care		100,103	(29,133)	70,970
5,927	(790)	5,137	Corporate & Democratic Core		6,381	(63)	6,318
28,578	(23,688)	4,890	Central Services		29,466	(23,856)	5,610
30,074	(7,168)	22,906	Cultural & Related Services		29,429	(4,757)	24,672
414,362	(220,293)	194,069	Children's & Educational Services		231,772	(154,789)	76,983
40,938	(9,518)	31,420	Environmental & Regulatory Services		33,247	(7,548)	25,699
107,236	(94,468)	12,768	Housing Services*		113,588	(101,547)	12,041
35,252	(16,755)	18,497	Highways & Transport Services		38,535	(15,535)	23,000
3,534	(92,723)	(89,189)	Non Distributed Costs	6	(956)	(7,647)	(8,603)
12,884	(6,418)	6,466	Planning Services		13,527	(5,302)	8,225
772,520	**(491,826)**	**280,694**	**Surplus/Deficit on Continuing Operations**		**595,092**	**(350,177)**	**244,915**
26,265	(1,437)	24,828	Gain or Loss on Disposal of Fixed Assets	12.5	2,642	(513)	2,129
114	(2,029)	(1,915)	Other Operating Expenditure	9	160	(4,053)	(3,893)
64,355	(32,999)	31,356	Financing and Investment Income and Expenditure	10	63,741	(42,403)	21,338
0	(261,141)	(261,141)	Taxation and Non-Specific Grant Income	11	0	(241,987)	(241,987)
		73,822	**Surplus or Deficit on Provision of Services**				**22,502**
		(4,921)	Surplus or deficit on revaluation of fixed assets	22.4			(12,321)
		(156,298)	Actuarial gains / losses on pension assets / liabilities	35			118,569
		(161,219)	**Other Comprehensive Income and Expenditure**				**106,248**
		(87,397)	**Total Comprehensive Income and Expenditure**				**128,750**

* The figure for 2010/11 include minor balances in relation to the full year of the Housing Revenue Account when closed on 31 March 2011.

BALANCE SHEET AT 31 MARCH 2012

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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 that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated 01 April 2010 £000	Restated 31 March 2011 £000		Note	31 March 2012 £000
804,048	675,526	Property Plant and Equipment	12	692,307
19,180	19,180	Heritage Assets	13	19,410
87,296	78,025	Investment Property	14	76,940
1,783	1,583	Intangible Assets	15	2,074
30,588	11,920	Long Term Investments	17.2	1,558
1,335	731	Long Term Debtors	18.1	1,091
944,230	**786,965**	**Non current Assets**		**793,380**
46,288	61,122	Short Term Investments	17.2	27,987
609	909	Inventories		901
48,201	35,411	Short Term Debtors	18.2	33,451
78,932	93,832	Cash and Cash Equivalents	23.4	53,125
2,510	3,057	Assets Held for Sale	19	3,843
0	875	LATS allowances		640
176,540	**195,206**	**Current Assets**		**119,947**
(76,918)	(96,952)	Short Term Borrowing	17.2	(17,847)
(72,955)	(62,281)	Short Term Creditors	20.1	(88,833)
(1,624)	(2,907)	Short Term Provisions	21	(2,878)
(151,497)	**(162,140)**	**Current Liabilities**		**(109,558)**
(20,661)	(18,757)	Long Term Creditors	20.2	(16,785)
(9,146)	(7,879)	Long Term Provisions	21	(7,808)
(160,348)	(193,991)	Long Term Borrowing	17.2	(193,912)
(452,310)	(220,219)	Long Term Liabilities Pensions	35	(336,135)
(78,530)	(43,509)	Long Term Liabilities Other	20.3	(42,201)
(720,995)	**(484,355)**	**Long Term Liabilities**		**(596,840)**
248,278	**335,676**	**Net Assets**		**206,928**
83,876	81,850	Usable Reserves	22.1	59,420
164,402	253,826	Unusable Reserves	22.1	147,508
248,278	**335,676**	**Total Reserves**		**206,928**

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

Restated 2010/11 £000		Note	2011/12 £000
(73,822)	Net Surplus or (Deficit) on the Provision of Services		(22,502)
498,605	Adjustment to Net Surplus or (Deficit) on the Provision of the Services for Non Cash Movement	23.1	234,030
(415,395)	Adjustment for Items included in the net (Surplus) of Deficit on the provision of services that are investing and Financing Activities	23.1	(172,694)
9,388	**Net Cash Flow from Operating Activities**		**38,834**
(19,822)	Investing Activities	23.2	2,155
25,334	Financing Activities	23.4	(81,696)
14,900	**Net Increase or (Decrease) in Cash and Cash Equivalents**		**(40,707)**
78,932	Cash and Cash Equivalents at the beginning of the Reporting Period	23.4	93,832
93,832	**Cash and Cash Equivalents at the end of the Reporting Period**	23.4	**53,125**

NOTES TO THE FINANCIAL STATEMENTS

INDEX

1. Accounting Policies

1.1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 (Part 3), 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 2011/12 (The Code) and the Service Reporting Code of Practice 2011/12 (SeRCOP)), supported by International Financial Reporting Standards (IFRS).

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

1.2. Accruals of Income and Expenditure

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

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

<u>Supplies and Services</u>
The cost of supplies and services are recorded as expenditure when they are consumed or received. Accruals are made for all material sums unpaid at the year-end for goods or services received or works completed. However, certain quarterly payments (e.g. gas, electricity, telephones) are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

A de-minimus of £500 is generally applied for all accruals unless they are automatically accrued via the Financial System, Civica Authority Financials, where there is no de-minimus value.

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

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

<u>Benefit Payments</u>
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.

<u>Interest</u>
Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by contract.

1.3. Cash and Cash Equivalents

The Council defines the following deposits as cash and cash equivalents:

Cash:
- Cash in hand

- On demand call accounts
- Money Market Funds

Cash equivalents:

- Notice accounts of 30 day duration or less
- Fixed term deposits of less than 1 month
- Deposits with the Government Debt Management Office (DMO) for a period of less than 1 month

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 Authority's cash management.

1.4. Exceptional (Material) Items

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

1.5. Prior Period Adjustments, Changes in Accounting Policies and 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 or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority'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.

1.6. 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 fixed 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 Authority 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 towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision (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.

1.7. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, flexi and time off in lieu (toil) as well as bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. toil, flexi) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the

benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.
No accrual is generally made for employee costs paid monthly in arrears, such as overtime and car allowances. This is in line with practice adopted in previous years.

Termination Benefits (e.g. Redundancy Payments)
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the surplus/deficit on continuing services in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

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 Pensions Scheme, administered by Devon County Council.

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

Teachers Pension Scheme
The arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the authority. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement 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.

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.6%.

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

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

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year- allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase (or decrease) in liabilities arising from current year decisions whose effect relates to years of services earned in earlier years- debited (or credited) to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid- debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return- credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited or credited to the Pensions Reserve;
- contributions paid to the Devon Pension Fund – cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement of Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the 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 Pensions 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 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.

1.8. 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.

1.9. 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.

Loans/Borrowings

The Council's loans are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

Trade Creditors

Where expenditure has been recognised but cash has not been paid, a creditor for the relevant amount is recorded in the Balance Sheet. Trade creditors fall within the definition of a financial instrument and are required to be measured using the effective interest rate method, unless they are of 'short duration with no stated interest rate' in which case they may be measured at original invoice value. The Council defines short duration as a period of up to one year and therefore, trade creditors included within the current liabilities section of the Balance Sheet are measured at original invoice value.

Financial Assets

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market. They are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Investments

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for the interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans (Investments) that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement receivable for the year in the loan agreement.

Soft Loans

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

Car Loans
The Council has made a number of car loans to staff at preferential interest rates. These are carried at cash value and not adjusted to amortised cost.

Short Term Trade Debtors
Where income has been recognised but cash has not been received, a debtor for the relevant amount is recorded in the Balance Sheet. Trade debtors fall within the definition of a financial instrument and are required to be measured using the effective interest rate method, unless they are of 'short duration with no stated interest rate' in which case they may be measured at original invoice value. Debtors included within the current assets section of the Balance Sheet are therefore measured at original invoice value, less a provision for uncollectability of debt.

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

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

An element of Social Care debt is recovered by means of a charge on the client's property. This debt may not be recovered in the next financial year and is therefore included within long term debtors. This debt is not subject to an interest charge.

Impairment
Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service, for receivables specific to that service, or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Financial Guarantees entered into before 1 April 2006
The Council entered into a financial guarantee arrangement with PLUSS before 1 April 2006 which is not required to be accounted for as a financial instrument. The Council does not therefore recognise the guarantee to PLUSS in its Balance Sheet, but continues to disclose the guarantee as a contingent liability.

1.10. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions (including Section 106 and 278 Developer contributions) and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until 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 acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where Revenue grants that have been credited to the Comprehensive Income and Expenditure Statement are intended to meet specific service expenditure that has not yet been incurred, an equivalent amount is transferred from the General Fund Balance to an Earmarked Reserve in the Statement of Movement in Reserves. A transfer back is made in future years to match expenditure as it is incurred.

Capital grants are posted to the Taxation and Non-Specific Grant Income section of the Comprehensive Income and Expenditure Account, unless they are used to finance Revenue Expenditure Financed from Capital under Statute (REFCUS) spend in which case they are posted to the relevant service line. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. 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.

Grants paid to the Council as the accountable body are only recognised to the extent that they are used towards Council expenditure.

1.11. Agency Services

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

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

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

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

1.12. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council as a result of past events is capitalised when it will bring benefits to the Council for more than one financial year. The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets also include purchased licenses Intangible assets on the Council's Balance Sheet relate to the purchase of software licences.

Internally developed intangible assets such as the development and implementation of computer systems and development of the Councils website are not capitalised but are written down to the relevant service line(s) and reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the

Capital Adjustment Account under the provisions for Revenue Expenditure Funded from Capital Under Statute.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the authority. The useful life assigned to the major software suites used by the authority is 5 years. The depreciable amount of an intangible asset is amortised on a straight line basis over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

1.13. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other Partners that involve the use of the assets and resources of the Partners rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls, if any, and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other Partners, with the assets being used to obtain benefits for the Partners. The joint operation does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint operation and income that it earns.

The Authority's interest in the Tamar Bridge & Torpoint Ferry Joint Committee has been reclassified as a Jointly Controlled Operation.

It was previously treated as a Jointly Controlled entity and represented a material interest for the Authority and required the Authority to prepare Group Accounts. Note 2 page 40 details the accounting treatment and restatement amounts.

Mount Edgcumbe Country Park is a jointly controlled asset with Cornwall Council. The management of the Park is overseen by the Mount Edgcumbe Joint Committee.

1.14. Interests in Companies and Other Entities

In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

As a result of bringing the Tamar Bridge & Torpoint Ferry Joint Committee balances into the Authority's single entity accounts (note 2 page 40), the remaining interests of the Authority in other entities, subsidiaries, Associates or Joint Ventures, are not considered sufficiently material to require it to prepare Group Accounts.

1.15. Investment Property

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

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.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. These gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

1.16 Heritage Assets

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

Heritage assets are deemed to have an indefinite life, therefore are not depreciated as the charge made would be minimal and immaterial. However, where there is evidence of physical deterioration to a heritage asset or doubts arise to its authenticity the value of the asset has to be reviewed. However, revaluation gains & losses and impairment losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. These gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Where the authority has information on the cost or value of heritage assets, or where assets have been previously capitalised or are recently purchased, information on their cost or value will recognised and be available for inclusion within the financial statements. Where this information is not available, and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, the assets will not be recognised.

1.17. Leases

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

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

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

The Authority as Lessee (Leased in assets)

<u>Finance Leases</u>
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor, although in practice many of the Council's property finance leases are held on a long lease at peppercorn rental and there is therefore no matching liability on the Balance Sheet. Initial direct costs to the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are

applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Finance lease payments are apportioned between:

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

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

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds as part of the MRP provision towards the deemed capital investment in accordance with statutory requirements.

Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Leases entered into before 1 April 2004 that were not classified as credit arrangements under the pre-Prudential Framework regime continue to be financed as revenue transactions, even if they are finance leases under IAS 17. This means that Property Plant and Equipment and liabilities are recognised and depreciation charged in accordance with the Code, but that the bottom-line charge against the General Fund Balance needs to reconcile to the rentals payable for the year. This entails the finance costs being charged to the Comprehensive Income and Expenditure Statement and the principal part being debited as an appropriation from the General Fund Working Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

The Authority as Lessor (Council Assets leased out)

Finance Leases
Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet. In reality the majority of the Council's finance leases are in return for a one off premium and peppercorn rental and there is no matching long term debtor on the Balance Sheet.

Any gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

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

Operating Leases
Where the Authority 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 services in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

1.18. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). The full cost of overheads and support services are recharged to services on the basis of time allocations or other appropriate measures of resources used with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.19. Property, Plant and Equipment

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

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. The Council operates a capitalisation de-minimus level of £10,000 for land and property and £5,000 for vehicle, plant and equipment. Spend below these levels is charged direct to revenue. However, there is no de-minimus for capital spend by individual schools financed from capital grants. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance, i.e. it will not lead to a variation in the cash flows of the Authority.

Donated assets are subject to a deminimus value of £10,000 for land and property and £5,000 for all other assets. Assets with a value in excess of the deminimus are capitalised and carried on the Council's Balance Sheet measured initially at fair value. The difference between fair value and any consideration paid for assets is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and

Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. Many of the Council's donated assets are held within the museum and art gallery.

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Schools are valued using DRC adjusted for a modern equivalent asset valuation. Donated assets held at the museum and art gallery may be carried on the Balance Sheet at Insurance valuation applicable at the time of recognition rather than as individual assets.

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.

For non-property assets that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains that arise from the reversal of a loss previously charged to a service are credited to the Comprehensive Income and Expenditure Statement.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, subject to a limit on the amount of the accumulated gains;
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment
Assets are assessed at each year-end as to 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.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance subject to a limit on the amount of the accumulated gains.
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets. 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 Comprehensive Income and Expenditure Statement 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	10 to 15 years
Schools	10 to 40 years
PFI schools	60 years
Administrative buildings	5 to 35 years
Libraries	10 to 60 years
Museums	20 to 60 years
Other buildings	5 to 60 years
Infrastructure	20 to 40 years
Vehicles and Plant	5 to 20 years
Community Assets	0 to 30 years

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

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.

Plant and equipment acquired as part of the construction or refurbishment of an asset is separately classified on the Balance Sheet at source and depreciated over asset life accordingly.

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

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, and the asset is being actively marketed, it is reclassified as an Asset Held for Sale. The asset is revalued immediately 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 loss (gain) on disposal of fixed assets line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on 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 valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.
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.

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 loss (gain) on disposal of fixed assets 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). 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 Authority's underlying need to borrow (the capital financing requirement).

Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.20. Inventories and Long Term Contracts

Inventories (Stocks and Work In Progress) are shown in the Accounts at cost (less any foreseeable losses on Work In Progress). This is a departure from the Code, which states that stock should be included at the lower of cost and net realisable value, and is permitted since the valuation basis would not materially affect the Council's reported position. The total value of stocks in the Council's Balance Sheet is £0.901m compared to total current assets of £119.947m (0.75%).

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

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. The Council has a long term contract with Amey to manage the Council's Local Transport Plan (LTP) revenue works, including maintenance, pre-planned and ad hoc works on highways, footpaths, gritting, walls etc. Amey also undertakes design works and delivery of an element of the Council's capital Local Transport Plan programme.

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 has one PFI, the education contract to provide schools and related assets at Wood View Campus and primary school at Riverside, Barne Barton.

The original recognition of these assets based on the cost to construct or purchase the property, plant and equipment is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Council's PFI scheme the liability has been written down by capital contributions of £4.6m made over the period 2008 to 2011.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards finance liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- lifecycle replacement costs –recognised as additions to Property, Plant and Equipment when the relevant works are carried out, and capital criteria are met.

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

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

1.22. Provisions, Contingent Liabilities and Contingent Assets

<u>Provisions</u>
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 as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

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

Movements in provisions during the year are shown in Note 21 to the Core Statements on page 68.

Provision for Back Pay Arising from Equal Pay Claims
The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. The Council successfully applied for a Capitalisation Direction for payments and estimated costs from claims submitted in 2007/08. An annual charge to repay the borrowing is made to the Movement in General Fund Balance as part of the MRP provision.

Statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. Therefore for claims submitted after 1 April 2008, the provision is balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund Balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund Balance in the Movement in Reserves Statement in future financial years as payments are made.

Landfill Allowance Schemes
Landfill allowances, whether allocated by Department for Environment, Food & Rural Affairs (DEFRA) or purchased from another Waste Disposal Authority (WDA) are recognised as current assets, or a long term debtor if purchased for more than one year in advance of expected use, and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value. Any surplus or deficit for the year is credited or debited to the appropriate service line in the Comprehensive Income and Expenditure Statement, as is any reduction or increase in value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

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 a note to the accounts.

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.

Details of the Council's contingent liabilities and assets are outlined in Note 36 page 105.

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 Movement in Reserves Statement. 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 Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Details of the Council's Revenue Reserves and the movement in the year are shown in Note 22 page 69.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council– 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 Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement 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.

The Council treats the following as Revenue Expenditure Financed from Capital under Statute:

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

1.25. Capital Salaries

The salary costs of technical staff working directly on the development and supervision of capital schemes are capitalised and added to the cost of the relevant scheme.

1.26. VAT

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

2. 2010/11 Restatements

The 2011/12 Statement of Accounts has been prepared under the requirement of CIPFA'S 2011/12 Code of Practice on Local Authority Accounting. The key accounting change in the code which impacts on the Authorities 2011/12 accounts relates to the adoption of FRS30 Heritage Assets, whereby a new category of Non Current Assets has been brought into the balance sheet. This represents a change in accounting policy, thus requiring retrospective application which effectively means the Authority has to account for Heritage Assets as if the new policy has always been applied.

In addition, the Tamar Bridge & Torpoint Ferry Joint Committee (TBTFJC) is being brought into the Authority's single entity accounts instead of being consolidated into the Group Accounts as in previous years. This is explained further below.

Both the change of accounting policy in response to adoption of FRS30 and the change of treatment of TBTFJC has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2010/11.

The Code requires a third opening Balance Sheet when an authority applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. This note, and the resulting statements, therefore outlines the impact of the changes to accounting policies on the Balance Sheet for 1 April 2010 and 31 March 2011 and the impact on the Comprehensive Income and Expenditure Statement for 2010/11.

The material differences between the amounts presented in the 2010/11 financial statements and the equivalent amounts presented in the 2011/12 financial statements are explained below and a summary of the impact on the statements is provided on pages 42 to 44.

2.1 Heritage Assets

Following the adoption of FRS30 – Heritage Assets, the Council has reviewed its disclosure of Community Assets to identify any items that meet the criteria for classification as Heritage Assets. This review has resulted in a number of assets being identified for reclassification and in addition, a number of assets that could be recognised on the balance sheet for the first time being reinstated as at 1 April 2010.

The change of treatment has a material impact of the Council accounts. The main impact is £7.062m moving from Community Assets to Heritage Assets on the balance sheet as at 1 April 2010. An additional £2.356m recognised for the first time in 2010/11 being restated into 2009/10 with equivalent revaluation reserve balance also being reinstated, and finally £9.762m in respect of assets being recognised for the first time being reinstated as at 1 April 2010, with equivalent revaluation reserve balance.

2.2 Tamar Bridge & Torpoint Ferry Joint Committee (TBTFJC) - Reclassification as a Jointly Controlled Operation

Plymouth City Council and Cornwall Council have joint effective control over the general operations of the TBTFJC and its financial and operating policies.

The Council has reviewed its interest in TBTFJC in conjunction with Cornwall Council and has established that this falls under the definition included within the code of a Joint Controlled Operation not a Jointly Controlled Entity.

This is primarily due to the Joint Committee's inability to enter into contracts in its own name or raise finance for the purposes of the Joint activity.

Both parties have a 50% right (both legally and contractually) to the assets and obligations for the liabilities and the two parties share all interests in the assets.

Previously, the Joint Committee was treated as a Jointly Controlled Entity and was incorporated into the Group Accounts of the Parent authorities.

There is no investment value as no amount was contributed by the Joint Committee partners.

The change of definition to Joint Operation has led to a change in accounting treatment. The Council for the first time included its 50% interest in the assets and liabilities of The Tamar Bridge & Torpoint Ferry Joint Committee into its single entity accounts on a line by line basis.

This change of treatment has a material impact on the Council's accounts. The main impact is to bring in half of the value of the Tamar Bridge (over £200m in total) onto the Council's balance sheet.

In total some £103.9m of net assets have been brought onto the Council's restated balance sheet as at 1 April 2010, offset by £0.4m in earmarked reserves and £103.5m in unusable reserves.

2.3 Restatements to the analysis of Service Expenditure

CIPFA has renamed the Best Value Accounting Code of Practice (BVACOP) to the Service Reporting Code of Practice (SeRCOP) following the incorporation of requirements re international financial reporting standards and the Governments transparency agenda.

2011/12 is the first year where authorities must apply SeRCOP and therefore the 2011/12 Statement of Accounts has been prepared on this basis. One of the changes within the SeRCOP relates to the Service Expenditure Analysis shown within the Comprehensive Income and Expenditure Statement. Income and Expenditure previously reported under the heading Culture, Environment, Regulatory and Planning Services has now been split into three – Cultural and Related Services, Environmental and Regulatory Services and Planning Services. The 2011/12 comparative figures have been restated to reflect the new analysis.

In addition the 2010/11 Gross Income and Expenditure analysis for Financing and Investment Income and Expenditure has also been restated as it has been identified that the totals had included balances relating to Internal Trading Accounts in error. This had the effect of overstating both the Gross Income and Expenditure for the Authority as internal trading activities are recharged to the Client Front Line Services, thus costs had been double-counted. This restatement, although not transparent within the restatements of the CIES shown on the following pages due to this analysis net expenditure changes only, has meant the Gross Income and Expenditure for Financing and Investment Income and Expenditure has been reduced by £14.437m.

Reconciliation of Total Comprehensive Income and Expenditure for the Year Ended 31st March 2011 to the last published Annual Financial Statements Income and Expenditure

2010/11 Comprehensive Income and Expenditure Statement	Note	Previous Reported 2010/11 Net Expenditure £000	Tamar Bridge & Torpoint Ferry JC 2010/11 Net Expenditure £000	Heritage Assets 2010/11 Net Expenditure £000	Change in Service Analysis 2010/11 Net Expenditure £000	Restated 2010/11 Net Expenditure £000
Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations						
Adult Social Care		73,730	0	0	0	73,730
Corporate & Democratic Core		5,344	0	0	(207)	5,137
Central Services		4,529	0	0	361	4,890
Cultural, Environmental, Regulatory & Planning Services		60,970	0	0	(60,970)	0
Cultural & Related Services		0	0	0	22,906	22,906
Childrens And Education Services		194,070	0	0	(1)	194,069
Environmental & Regulatory Services		0	0	0	31,420	31,420
Housing Revenue Account		(781)	0	0	781	0
Housing Services		13,554	0	0	(786)	12,768
Highways & Transport Services		17,451	1,017	0	29	18,497
Non Distributable Costs		(88,578)	(611)	0	0	(89,189)
Planning Services	6	0	0	0	6,466	6,466
Surplus/Deficit on Continuing Operations		**280,289**	**406**	**0**	**(1)**	**280,694**
(Gain) or Loss on Disposal of Fixed Assets	12.5	24,828	0	0	0	24,828
Other Operating Expenditure	9	(1,915)	0	0	0	(1,915)
Financing and Investment Income and Expenditure	10	30,887	469	0	0	31,356
Taxation and Non-Specific Grant Income	11	(261,141)	0	0	0	(261,141)
(Surplus) or Deficit on Provision of Services		**72,948**	**875**	**0**	**0**	**73,822**
(Surplus) or deficit on revaluation of fixed assets	22.4	(7,276)		2,355	0	(4,921)
Actuarial (gains)/ losses on pension assets / liabilities	35	(154,807)	(1,491)	0	0	(156,298)
Other Comprehensive Income and Expenditure		**(162,083)**	**(1,491)**	**2,355**	**0**	**(161,219)**
Total Comprehensive Income and Expenditure		**(89,135)**	**(616)**	**2,355**	**0**	**(87,397)**

Reconciliation of Net Worth reported at 31 March 2010 within previous published statements to 1 April 2010 Restated Position

	Note	Previously Reported 31 March 2010	Tamar Bridge & Torpoint Ferry	Heritage Assets	Restated 1 April 2010
		£000	£000	£000	£000
Property, Plant and Equipment	12	693,990	117,120	(7,062)	804,048
Heritage Assets	13	0	0	19,180	19,180
Investment Property	14	87,296	0	0	87,296
Intangible Assets	15	1,783	0	0	1,783
Long Term Investments	17.2	30,588	0	0	30,588
Long Term Debtors	18.1	1,335	0	0	1,335
Non Current Assets		**814,992**	**117,120**	**12,118**	**944,230**
Short Term Investments	17.2	46,288	0	0	46,288
Inventories		429	180	0	609
Short Term Debtors	18.2	47,874	327	0	48,201
Cash and Cash Equivalents	23.4	79,448	(516)	0	78,932
Assets Held for Sale	19	2,510	0	0	2,510
LATS Allowances		0	0	0	0
Current Assets		**176,549**	**(9)**	**0**	**176,540**
Short Term Borrowing	17.2	(76,918)	0	0	(76,918)
Short Term Creditors	20.1	(71,835)	(1,120)	0	(72,955)
Short Term Provisions	21	(1,624)	0	0	(1,624)
Current Liabilities		**(150,377)**	**(1,120)**	**0**	**(151,497)**
Long Term Creditors	20.2	(20,661)	0	0	(20,661)
Long Term Provisions	21	(9,146)	0	0	(9,146)
Long Term Borrowing	17.2	(160,348)	0	0	(160,348)
Long Term Liabilities Pensions	35	(449,381)	(2,929)	0	(452,310)
Long Term Liabilities Other	20.3	(69,405)	(9,125)	0	(78,530)
Long Term Liabilities		**(708,941)**	**(12,054)**	**0**	**(720,995)**
Net Assets		**132,223**	**103,937**	**12,118**	**248,278**
Represented By:					
Usable Reserves	22.1	83,476	400	0	83,876
Unusable Reserves	22.1	48,747	103,537	12,118	164,402
Total Reserves		**132,223**	**103,937**	**12,118**	**248,278**

Reconciliation of Net Worth reported at 31st March 2011 within previous published statements to 31 March 2011Restated Position

	Note	Previously Reported 31 March 2011	Tamar Bridge & Torpoint Ferry	Heritage Assets	Restated 31 March 2011
		£000	£000	£000	£000
Property, Plant and Equipment	12	570,243	114,701	(9,418)	675,526
Heritage Assets	13	0	0	19,180	19,180
Investment Property	14	78,025	0	0	78,025
Intangible Assets	15	1,583	0	0	1,583
Long Term Investments	17.2	11,920	0	0	11,920
Long Term Debtors	18.1	731	0	0	731
Non Current Assets		**662,502**	**114,701**	**9,762**	**786,965**
Short Term Investments	17.2	61,122	0	0	61,122
Inventories		569	340	0	909
Short Term Debtors	18.2	35,151	260	0	35,411
Cash and Cash Equivalents	23.4	92,566	1,266	0	93,832
Assets Held for Sale	19	3,057	0	0	3,057
LATS Allowances		875	0	0	875
Current Assets		**193,340**	**1,866**	**0**	**195,206**
Short Term Borrowing	17.2	(96,952)	0	0	(96,952)
Short Term Creditors	20.1	(59,902)	(2,379)	0	(62,281)
Short Term Provisions	21	(2,907)	0	0	(2,907)
Current Liabilities		**(159,761)**	**(2,379)**	**0**	**(162,140)**
Long Term Creditors	20.2	(18,757)	0	0	(18,757)
Long Term Provisions	21	(7,879)	0	0	(7,879)
Long Term Borrowing	17.2	(193,991)	0	0	(193,991)
Long Term Liabilities Pensions	35	(219,313)	(906)	0	(220,219)
Long Term Liabilities Other	20.3	(34,780)	(8,729)	0	(43,509)
Long Term Liabilities		**(474,720)**	**(9,635)**	**0**	**(484,355)**
Net Assets Less Liabilities		**221,361**	**104,553**	**9,762**	**335,676**
Represented By:					
Usable Reserves	22.1	80,831	1,019	0	81,850
Unusable Reserves	22.1	140,530	103,534	9,762	253,826
Total Reserves		**221,361**	**104,553**	**9,762**	**335,676**

3. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Authority.

Amendments to IFRS7 Financial Instruments:
The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October) 2010 by the Code will result in a change in accounting policy that requires disclosure.

The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1 July 2011 but we are not required by the Code to implement this amended disclosure requirement until 1 April 2012.

Following a review of the Authority's financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the Council.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts for 2011/12 are:

The accounting treatment in respect of the Tamar Bridge & Torpoint Ferry activities has been reviewed following challenge by the Authority's external auditor. The operation is now considered to be a joint operation with Cornwall Council. This has resulted in 50% of the financial results during 2011/12 being included in the Council's accounts, in line with the Council's control over the operation.

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that further assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision, other than those already earmarked for closure as part of budget delivery plans.

As a result of current and future reductions in local government funding the Council is in the process of reviewing and restructuring its services. As a consequence of this process, at the end of the financial year there were plans in place to terminate the contracts of a number of employees. To account for those cases where notice has been served by the Council and reliable calculations for the termination benefits have been prepared, a provision has been set up to cover the liability arising from the termination of these employment contracts (£0.107m).

The Authority has £13m deposited with Icelandic banks which are in administration. Dividend payments are being received in respect of Heritable Bank (£3m original investment), but recovery of monies in Glitnir and Landsbanki (total £10m) is still subject to court proceedings. The Council continues to assume recovery based on priority creditor status for Landsbanki and non priority status for Glitnir, utilising the Capitalisation Direction awarded in 2010/11. This treatment differs from latest guidance issued by CIPFA. The Authority continues to vigorously pursue the recovery of the total debt.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Changes in discount and Mortality rates	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £19m. Additionally, a 1 year change in mortality rate assumptions would result in a change to the pension liability of £29m.
Property Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate and reductions to council grant funding makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, which may in turn impact on the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Interest Payable	The accounts show an impairment charge of £4.62m for monies invested in Iceland. This is based on the amounts recovered and still subject to recovery as at the date of preparation of the draft statement of accounts. The Council continues to actively pursue recoveries of its monies through the Icelandic Courts. Although further recoveries are possible the uncertainty over future receipts has led to a prudent approach being taken in the preparation of these accounts with the assumption based on no additional receipts.	The Council's claims have been agreed, with priory status confirmed for Glitnir and Landsbanki claims, and distributions have been received from the Administrators and Winding Up Boards for the banks. Based on the latest forecast by the Local Government Association and CIPFA the majority of the monies are expected to be received. Should this be the case this will lead to an adjustment in the impairment charge of £3.467m in the accounts in future years.
Provisions	The Authority has made a provision of £3.322m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Authority or that precedents set by other authorities in the settlement of claims will be applicable. There are currently no dates set for Industrial Tribunal hearings.	An increase or decrease in the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding to or reducing the provision required by £0.300m.
Employee Benefits	The Council is required to accrue for employee benefits earned but not taken by the 31 March 2012. As such this information is not readily available. In order to comply with the accounting requirements, the Council has undertaken a sample of staff across the Council using both the MOL information and annual returns and aggregated this up based on total employee numbers to produce the information on the accrual. In total a sample of 20.5% was achieved. In addition calculations have been made on the value of annual leave carried forward by teachers and other schools staff. The result of these calculations forms the largest part of the accrual due to timing of the financial year end within the academic year.	An increase in the amount of leave carried forward or a change in the analysis of carry forward leave by officer level could result in a potentially different calculation and charge across services. However Statutory Regulations are in place which removes the employee benefit accrual to an employee benefit reserve account so overall there would be no impact on the General Fund Balance.

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

6. Material Items of Income and Expense

Non Distributed Costs - Changes to the Local Government Pension Scheme

During the financial year 2010/11, the Government announced that it planned to increase future pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The actuary accounted for this change in the accounts for 2010/11 as a "past service gain" in the pension's profit and loss statement as it is assumed that CPI will increase at a lower rate than RPI. The value of the gain for Plymouth was estimated at (£70.177m). The past service gain was shown within the non distributed costs line in the Surplus/deficit on Continuing Operations. In addition this line also included a net gain of (£21.793m) on curtailment and settlements mainly in relation to the post completion valuation of the transfer of staff to Plymouth Community Homes in 2009/10. These items were one-off and only relevant to 2010/11, which contributes to the large difference when comparing the cost of NDC over the two years.

Further details of the movement in the pensions liability is outlined in note 35 page 98.

7. Events after the Balance Sheet Date

The Statement of Accounts was authorised by the Director for Corporate Services on 18 September 2012. Events taking place after this date are not reflected in the draft financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Statements have been adjusted for the following item:

Heart of the South West Local Enterprise Partnership (HotSWLEP) – Accountable Body
During 2011/12 Plymouth City Council acted as the Accountable Body for the Growing Places Fund (GPF) on behalf of the Heart of the Southwest Local Enterprise Partnership (HotSWLEP), being one the partners in this newly formed economic alliance together with Torbay Council, Devon County Council and several private sector organisations. The Authority held balances of £21m on behalf of HotSWLEP at the year end and this is reflected in the financial statements.

On 4 August 2012, Devon County Council agreed to take over the accountable body responsibility for this fund. As a result, Plymouth transferred the £21m on 6 August 2012 to Devon County Council. This was due to the fact the DCC has a greater capacity to undertake this role with regard to the evolving nature of the fund. This change only affects the administration of the LEP and the Council continues to be fully committed to the initiative in all other aspects.

8. 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	2010/11				2011/12			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account (CAA):								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non current assets	167,225			(167,225)	55,152			(55,152)
Movements in the market value of Investment Properties	2,782			(2,782)	8,622			(8,622)
Amortisation of intangible assets	597			(597)	636			(636)
Capital grants and contributions	(41,843)		41,843	0	(29,119)		29,119	0
Movement in the Donated Assets Account					(6,028)			6,028
Revenue expenditure funded from capital under statute	8,363			(8,363)	5,263			(5,263)
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	31,021			(31,021)	2,097			(2,097)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:		-	-			-	-	0
Statutory provision for the financing of capital investment	(8,872)			8,872	(8,856)			8,856
Capital expenditure charged against the General Fund balances	(1,708)			1,708	(4,451)			4,451
Adjustments involving the Capital Receipts Reserve:								0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		1,435		(1,435)		1,447		(1,447)
Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement	(2,072)	2,072		0	(3,744)	3,744		0
Total C/FWD	**155,493**	**3,507**	**41,843**	**(200,843)**	**19,572**	**5,191**	**29,119**	**(53,882)**

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Total B/FWD	**155,493**	**3,507**	**41,843**	**(200,843)**	**19,572**	**5,191**	**29,119**	**(53,882)**
Long term debtor repayments in year		282		(282)		60		(60)
Use of the Capital Receipts Reserve to finance new capital expenditure		(2,814)		2,814		(18,526)		18,526
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	44	(44)		0	39	(39)		0
Adjustment involving the Capital Grants Unapplied Account								
Use of the Capital Grants unapplied Account to finance new capital expenditure (transfer to CAA)			(48,294)	48,294			(30,497)	30,497
Adjustments involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	129			(129)	81			(81)
Adjustments involving the Pensions Reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(54,572)			54,572	17,852			(17,852)
Employer's pensions contributions and direct payments to pensioners payable in the year	(23,160)			23,160	(22,294)			22,294
Adjustments involving the Collection Fund Adjustment Account:								0
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	72			(72)	(852)			852
Adjustment involving the Accumulating Compensated Absences Adjustment Account								0
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	(525)			525	375			(375)
Total Adjustments	**77,481**	**931**	**(6,451)**	**(71,961)**	**14,773**	**(13,314)**	**(1,378)**	**(81)**

9. Other Operating Expenditure

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

Other Operating Expenditure	2010/11 £000	2011/12 £000
Levies	194	122
Payments to the Government Housing Capital Receipts Pool	44	39
Other income	(2,153)	(4,054)
Total	**(1,915)**	**(3,893)**

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, covenants and lease premiums as well as the income receivable under the stock transfer agreement relating to VAT shelter receipts.

10. Financing and Investment Income and Expenditure

This contains corporate items of income and expenditure arising from the Authority'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 14 on page 55.

Financing and Investment Income and Expenditure	2010/11 Restated £000	2011/12 £000
Interest payable and similar charges	12,880	11,384
Pensions interest cost and expected return on pensions assets	14,639	7,274
Interest receivable and similar income	(3,138)	(3,195)
(Surpluses) / deficits on trading undertakings not included in Net Cost of Services	(107)	(230)
Income and expenditure in relation to investment properties and changes in their fair value	724	6,137
Gain on sale of Investment Properties	6,358	(32)
Total	**31,356**	**21,338**

11.Taxation and Non Specific Grant Income

This item consolidates all the grants and contributions receivable that cannot be identified to particular service expenditure. All capital grants and contributions are credited here even where they are service-specific, unless they are used to finance Revenue Expenditure Funded by Capital Under Statute (REFCUS) spend in which case they are treated as revenue grants and credited to the relevant service line.

Taxation and Non-Specific Grant Income	Restated 2010/11 £000	2011/12 £000
Council tax income	(95,732)	(96,758)
Non domestic rates	(92,579)	(85,807)
Non-ringfenced government grants	(37,205)	(33,752)
Capital grants and contributions	(35,625)	(25,670)
Total	**(261,141)**	**(241,987)**

Further details of the non ringfenced grants and capital grants and contributions are given in the grants note 31.2 page 91.

12. Property, Plant and Equipment

12.1. Movement in Year

The movement in Property Plant and Equipment (PPE) is summarised in the following table with comparative figures for 2010/11 following.

	Other Land & Buildings £000	Vehicles, Plant, Furniture & Fittings £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets included in Property, Plant & Equipment £000
Cost or Valuation								
At 1 April 2011	438,277	43,076	219,736	3,502	32	50,004	754,627	24,102
Additions	29,239	12,278	16,112	1,499		4,682	63,810	5
Donations							0	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	9,088				837		9,925	3,992
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(18,322)	(196)			(263)		(18,781)	
Derecognition - disposals	(1,868)	(3,066)		(16)			(4,950)	
Derecognition - other							0	
Assets reclassified (to)/from Held for Sale							0	
Other movements in cost or valuation	20,944	(230)	15,356	(3,463)	6,449	(45,292)	(6,236)	
At 31 March 2012	**477,358**	**51,862**	**251,204**	**1,522**	**7,055**	**9,394**	**798,395**	**28,099**
Accumulated Depreciation and Impairment								
At 1 April 2011	(24,780)	(17,191)	(35,999)	(1,122)	(8)	0	(79,100)	(670)
Depreciation charge	(17,324)	(4,124)	(7,809)				(29,257)	(603)
Depreciation written out to the Revaluation Reserve	10,746						10,746	1
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,392	54					3,446	
Impairment losses/(reversals) recognised in the Revaluation Reserve	(8,595)						(8,595)	
Iimpairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(6,983)	(2,451)	(6)	(1,109)			(10,549)	
Derecognition - disposals	69	2,258		6			2,333	
Derecognition - other							0	
Other movements in depreciation and impairment	6,855	905	(671)	1,116	(3,317)		4,888	
At 31 March 2012	**(36,620)**	**(20,549)**	**(44,485)**	**(1,109)**	**(3,325)**	**0**	**(106,088)**	**(1,272)**
Net Book Value								
At 31 March 2012	440,738	31,313	206,719	413	3,730	9,394	692,307	26,827
At 31 March 2011	413,497	25,885	183,737	2,380	24	50,004	675,526	23,432

2010/2011 Comparators

2010/2011 Comparators	Other Land & Buildings £000	Vehicles, Plant, Furniture & Fittings £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant & Equipment £000	PFI Assets included in Property, Plant & Equipment £000
Cost or Valuation								
At 1 April 2010	584,299	40,069	212,015	8,045	425	38,727	883,580	37,318
Additions	12,188	3,869	3,059	1,212		40,096	60,424	2
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,920						4,920	(13,218)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(103,200)	(325)		(390)			(103,915)	
Derecognition - disposals	(26,757)	(725)	(20)	(105)		(175)	(27,782)	
Assets reclassified (to)/from Held for Sale	(300)				(393)		(693)	
Other movements in cost or valuation	(32,873)	188	4,682	(5,260)		(28,644)	(61,907)	
At 31 March 2011	**438,277**	**43,076**	**219,736**	**3,502**	**32**	**50,004**	**754,627**	**24,102**
Accumulated Depreciation and Impairment	(36,372)	(13,354)	(26,646)	(3,155)	(4)	0	(79,531)	(760)
Depreciation charge	(19,345)	(4,063)	(6,944)	(641)	(4)		(30,997)	(603)
Depreciation written out to the Revaluation Reserve							0	693
Impairement losses/(reversals) recognised in the revaluation reserve	(3,569)						(3,569)	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(28,027)	(654)					(28,681)	
Derecognition - disposals	1,383	156	5	76	0	0	1,620	
Other movements in depreciation and impairment	61,150	724	(2,414)	2,598			62,058	
At 31 March 2011	**(24,780)**	**(17,191)**	**(35,999)**	**(1,122)**	**(8)**	**0**	**(79,100)**	**(670)**
Net Book Value							Total PPE	
at 31 March 2011	413,497	25,885	183,737	2,380	24	50,004	**675,526**	23,432
at 31 March 2010	547,927	26,715	185,369	4,890	421	38,727	**804,048**	36,558

Following completion of the implementation of the Council's new Asset Management Software, Officers undertook a full review of the authority's Asset Register. This exercise established that a correction was required to clarify the treatment of Academy Schools in 2010/11. The effect of this is that the figures for revaluations, impairments, gross book value and accumulated depreciation have been amended from the previously published disclosure. In addition, the review identified a number of corrections required relating to revaluations and classifications across property, plant and equipment and assets held for sale. Due to their value it is believed that the corrections do not relate to fundamental adjustments and restatements aren't required. These corrections are therefore included in the 2011/12 disclosure.

12.2. Commitments Under Capital Contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2012 amounted to £15.028m (2010/11 £42.715m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme, and it is anticipated that all works relating to these commitments will be completed within the next financial year.

12.3. Trust, Foundation, Voluntary Aided and Academy Schools

The Council has a number of schools that are operated by various trusts, are classed as voluntary aided schools, or have transferred to Academy status. The Council is responsible for providing funding to the schools from the Dedicated Schools Grant (DSG) and Capital Resources, with the exception of the Academies who receive funding direct from the Government. However, the school building and associated land of all these categories of schools effectively passes to the Trustees of the school who have control over the use of the assets. The assets are therefore not shown on the Council's Balance Sheet. During the year 9 schools transferred to Academy status, 3 of which had previously held Trust status.

12.4. Revaluations/Impairments

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. 'All valuations are carried out internally under the supervision of Mr P C Palmer BSc (Hons), MRICS, RICS Registered Valuer'. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS) as outlined in the accounting policies. Vehicles and equipment that have a short life / low value are not revalued but carried on the Balance Sheet at historical cost.

The significant assumptions applied in estimating the fair values are:

- for PPE of a non-specialised nature (where a market exists for the current use to which the property is put) this is interpreted as the amount that would be paid for the asset in its existing use (EUV) compared to similar assets of the type, location or condition;
- for PPE of a specialised nature (where no market exists for the continuation of current use), where there is a significant difference between Depreciated Replacement Cost (DRC) and Fair Value, this is interpreted as the amount that would be paid for the asset in its highest and best use i.e. Market Value. This would be dependent on its potential new use compared to similar assets of the type, location or condition;
- for Investment Properties this is interpreted as the amount that would be paid for the asset in its highest and best use i.e. Market Value compared to similar assets of the type, location or condition

Valuation of Property Plant & Equipment*	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost:	3,639	31,313		34,952
Valued at fair value as at:				
2011/12	122,995		3,065	126,060
2010/11	189,117		665	189,782
2009/10	22,313			22,313
2008/09	63,093			63,093
2007/08	39,591			39,591
Total Cost or Valuation	**440,748**	**31,313**	**3,730**	**475,791**

* Valuations under the rolling programme are carried out as at 1 April. Under the Code, the PPE asset categories of Infrastructure, Community Assets and Assets Under Construction are carried at historical cost and therefore are not required to be revalued and therefore do not feature in the table above.

12.5 Gain/Loss on Disposal of Fixed Assets

In 2011/12, the Council incurred a net loss on disposal of fixed assets of £2.129m (2010/11 £24.828m).

(Gain)/Loss on Disposal of Fixed Assets	2010/11 £000	2011/12 £000
Stock Transfer	613	0
Other Assets Written Off Balance Sheet		
- Land & Property Sales	2,398	742
- Academy Schools	21,642	1,387
- Under Construction	175	0
	24,828	**2,129**

13. Heritage Assets

Historic Buildings & Monuments
Historic Buildings and Monuments classified as Heritage Assets on the balance sheet include Smeatons Tower, the Elizabethan House and Plympton Guildhall which have been recognised at insurance valuations.

The Authority 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 & Equipment. Examples of these assets include the Central Library and Museum, Plymouth Guildhall, Mount Edgcumbe House and the Barbican Waterfront, which includes the Mayflower Steps. These assets are valued as operational assets by the authority's valuers and are currently valued at £10.554m.

Gold, Silver & Jewellery
The Authority's Gold, Silver & Jewellery collection is reported in the balance sheet at insurance valuation which is based on market values.

Significant items in the collection include a piece of Tudor Silver dating back to around 1571, the Eddystone Lighthouse Salt, a late 17th century condiment compendium in the form of the lighthouse, and other Civic Regalia.

Fine Art & World Cultures
The Authority's Art collection is reported in the balance sheet at insurance valuation which is based on market values.

The Authority holds a number of donated assets within the categories of Gold, Silver & Jewellery and Fine Art & World Cultures. These assets are held in the balance sheet at insurance valuation which are based on market values.

The Authority's policy for the acquisition, preservation and management of museum assets can be found on www.plymouth.gov.uk on the museum collections page.

The following table summarises the movement in the balances relating to Heritage Assets during the year:-

	Buildings	Fine Art	Gold, Silver & Jewellery	Total Assets
	£000	£000	£000	£000
Cost or Valuation				
As at 1 April 2010	1,713	13,085	4,382	19,180
As at 31 March 2011	**1,713**	**13,085**	**4,382**	**19,180**
Cost or Valuation				
As at 1 April 2011	1,713	13,085	4,382	19,180
Revaluations		50	180	230
As at 31 March 2012	**1,713**	**13,135**	**4,562**	**19,410**

14. 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 consists of the City Centre Commercial (Shop) Estate and a number of Industrial Estates.

The following table shows the net gain or loss in the year in relation to the Authority's investment properties which has been accounted for within the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:-

Investment Properties - Expenses and Income	Restated 2010/11 £000	2011/12 £000
Rental income from investment property	(3,000)	(3,276)
Direct operating expenses arising from investment property	942	791
Net gain/(loss)	**(2,058)**	**(2,485)**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property. Most of the investment properties are let out on an operating lease basis. Depending on the terms of the individual leases, the Authority may retain a responsibility for repair and maintenance of the exterior fabric of the premises. Any costs incurred are included within the direct operating costs outlined above.

The following table summarises the movement in the fair value of investment properties over the year.

Investment Properties	Restated 2010/11 £000	2011/12 £000
Balance at 1 April	87,296	78,025
Additions	0	7,950
Disposals	(6,358)	(903)
Net gains/losses from fair value adjustments	(2,782)	(3,371)
Transfers:		
to/from Inventories (Assets Held for Sale)	0	464
to/from Property, Plant & Equipment	(151)	25
Other changes	20	(5,250)
Balance at 31 March	**78,025**	**76,940**

15. Intangible Assets

The movement on Intangible Asset balances during the year is as follows:

Intangible Assets	2010/11 £000	2011/12 £000
Balance at start of year:		
Gross carrying amounts	3,605	4,063
Accumulated amortisation	(1,822)	(2,480)
Net carrying amount at start of year	1,783	1,583
Additions: Internal Development Purchases	471	1,127
Amortisation for the period	(597)	(636)
Other changes	(74)	0
Net carrying amount at end of year	1,583	2,074
Gross carrying amounts	4,063	5,138
Accumulated amortisation	(2,480)	(3,064)
Total	**1,583**	**2,074**

16. 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure and Income	Restated 2010/11 £000	2011/12 £000
Opening Capital Financing Requirement 1 April	**261,258**	**268,934**
Capital Investment		
Operational Assets	60,966	59,873
Non Operational Assets	276	6,986
Revenue Expenditure Funded from Capital under Statute	7,941	5,214
Other Capital Expenditure	700	10
	69,883	**72,083**
Sources of Finance		
Capital Receipts	(2,814)	(18,526)
less: Long Term Debtors written out in year	267	47
Grants & Contributions applied in year	(48,523)	(31,875)
Revenue & Other Funds	(1,558)	(4,247)
Minimum Revenue Provision	(8,879)	(8,856)
Capital contribution to PFI	(700)	0
	(62,207)	**(63,457)**
Closing Capital Financing Requirement 31 March	**268,934**	**277,560**
Explanation of Movement in Year		
Increase in underlying need to borrow (supported by Government financial assistance)	7,729	217
Increase in underlying need to borrow (unsupported by Government financial assistance)	9,131	18,297
Reduction in underlying need to borrow resulting from other changes in Capital financing Requirement	(9,311)	(9,888)
Assets acquired under Finance Leases	127	0
Increase/Decrease in Capital Financing Requirement	**7,676**	**8,626**

17. Financial Instruments

17.1. Compliance

This Authority has complied with the following: -

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

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

The Council's Treasury Management Strategy which incorporates the annual Investment Strategy was approved by Full Council on 28 February 2011. As an overriding principle, the strategies proposed that in the current financial climate the Council should continue to minimise risk contained within its current debt and investment portfolios by establishing an integrated debt management and investment policy which balanced certainty and security with liquidity and yield. The Council should seek to make greater use of short term variable rate borrowing, whilst at the same time seeking to balance its investments across a range of investment instruments.

An annual report on the progress of Treasury Management activities against the strategy for the year is required to be presented to full Council and can be found on our website: http://www.plymouth.gov.uk/homepage.htm

17.2. Financial Instrument Balances

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

	Long-Term			Current			Total		
	Restated 1 Apr 2010 £000	Restated 31 Mar 2011 £000	31 Mar 2012 £000	Restated 1 Apr 2010 £000	Restated 31 Mar 2011 £000	31 Mar 2012 £000	Restated 1 Apr 2010 £000	Restated 31 Mar 2011 £000	31 Mar 2012 £000
Borrowings Financial liabilities at amortised cost									
PWLB Debt	(27,649)	(61,315)	(61,315)	(1,670)	(427)	(1,268)	(29,319)	(61,742)	(62,583)
Other Borrowings	(132,699)	(132,676)	(132,597)	(75,248)	(96,525)	(16,579)	(207,947)	(229,201)	(149,176)
Devon Debt	(32,580)	0	0	(1,357)	0	0	(33,937)	0	0
Deferred Liabilities	(35,601)	(33,775)	(32,437)	(1,355)	(1,241)	(1,165)	(36,956)	(35,016)	(33,602)
Other Liabilities	(9,125)	(8,729)	(8,947)	(433)	(844)	(563)	(9,558)	(9,573)	(9,510)
Trade Creditors	(495)	(530)	(347)	(35,036)	(30,804)	(28,616)	(35,531)	(31,334)	(28,963)
Total borrowings	**(238,149)**	**(237,025)**	**(235,643)**	**(115,099)**	**(129,841)**	**(48,191)**	**(353,248)**	**(366,866)**	**(283,834)**
Investments Loans and receivables:									
Investments	30,588	11,920	1,558	46,288	61,122	27,987	76,876	73,042	29,545
Contractual debtors (net of impairment)	1,336	731	1,091	15,553	12,412	10,473	16,889	13,143	11,564
Cash & cash equivalents	0	0	0	78,932	93,832	53,167	78,932	93,832	53,167
Total investments	**31,924**	**12,651**	**2,649**	**140,773**	**167,366**	**91,627**	**172,697**	**180,017**	**94,276**

Note: LOBOs of £64m have been included in long term borrowing but have a call date in the next 12 months.

17.3 Gains and Losses on Financial Instruments

The Income, Expense, Gains and Losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2011/12	Financial Liabilities Measured at amortised cost £000	Financial Assets Loans and receivables £000	Total £000
Interest expense	12,668		12,668
Impairment losses		(1,284)	(1,284)
Interest payable and similar charges	**12,668**	**(1284)**	**11384**
Interest income		(3195)	(3195)
Interest and investment income	**0**	**(3195)**	**(3195)**
Net (gain)/loss for the year	**12,668**	**(4,479)**	**8,189**

Restated 2010/11	Financial Liabilities measured at amortised cost £000	Financial Assets Loans and receivables £000	Total £000
Interest expense	12,880	0	12,880
Interest payable and similar charges	**12,880**	**0**	**12,880**
Interest income	0	(3,138)	(3,138)
Interest and investment income	**0**	**(3,138)**	**(3,138)**
Net (gain)/loss for the year	**12,880**	**(3,138)**	**9,742**

17.4 Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The proportion of debt and investments due to be settled within 12 months of the balance sheet date are presented in the Balance Sheet under short term liabilities or short term investments. This also includes accrued interest for long term investments and borrowings.

The 2011/12 Code of Practice requires the Fair Value of these assets and liabilities to be disclosed for comparison purposes. Fair Value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's-length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2011 and 31 March 2012 consisted of loans from the Public Works Loan Board (PWLB) and market loans. The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio by calculating the amounts the Council would have to pay to extinguish the loans on these dates. In the case of market loans, the Council wrote to the lender. Owing to no response the Fair Value has been calculated based on equivalent swap rates, sourced from Bloomberg, at the Balance Sheet date.

The Council's investment portfolio at the Balance Sheet date consisted entirely of term deposits and call/notice accounts with Banks and Building Societies. The maturity dates of these investments were all within 12 months of the Balance Sheet date.

In the case of short term instruments and deferred liabilities (PFI, finance leases, etc.) the authority deems the carrying amount to be a reasonable approximation of the fair value. The fair value of trade receivables is taken to be the invoiced or billed amount.

Liabilities at amortised cost	Restated 1 Apr 2010		Restated 31 Mar 2011		31 Mar 2012	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000	£000	£000
PWLB - maturity	(29,319)	(35,197)	(61,742)	(73,322)	(62,583)	(86,707)
LOBOs	(134,167)	(144,778)	(134,113)	(144,095)	(134,086)	(170,778)
Bonds	(83)	(83)	(83)	(83)	(83)	(83)
Short term borrowing	(73,697)	(73,697)	(95,005)	(95,005)	(15,007)	(15,007)
Devon Debt	(33,937)	(33,937)	0	0	0	0
Deferred Liabilities	(36,956)	(36,956)	(35,016)	(35,016)	(33,602)	(33,602)
Other Liabilities	(9,558)	(9,558)	(9,573)	(9,573)	(9,510)	(9,510)
Creditors	(35,531)	(35,531)	(31,334)	(31,334)	(28,963)	(28,963)
Financial liabilities	**(353,248)**	**(369,737)**	**(366,866)**	**(388,428)**	**(283,834)**	**(344,650)**

In October 2007, the PWLB introduced a separate rate of interest for early repayment of loans, and the fair value calculation as supplied by PWLB has been based on this lower rate of interest. This rate is not comparable with the valuation of market loans which are based on the actual market rate applicable for new borrowing as at 31 March 2012. The equivalent fair value for PWLB loans based on a comparable market rate would be £71.238m a reduction of £15.469m.

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

Assets carried at amortised cost	Restated 1 Apr 2010		Restated 31 Mar 2011		31 Mar 2012	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000	£000	£000
Deposits with banks and building societies	75,318	77,502	71,484	72,028	27,987	28,024
Cash & cash equivalents	78,932	78,932	93,832	93,832	53,167	53,167
Contractual Debtors	16,889	16,889	13,143	13,143	11,564	11,564
Financial assets	**171,139**	**173,323**	**178,459**	**179,003**	**92,718**	**92,755**

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

17.5 Nature and Extent of Risks Arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.

- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

Credit Risk

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

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

The Council's investment strategy for 2011/12 was originally approved by Council on 28 February 2011. Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2011/12. This restricted new investments to the following, although as indicated not all of the instruments were used during the year:

- The Debt Management Office
- Other Local Authorities (not used 2011/12)
- AAA-rated Stable Net Asset Value Money Market Funds (not used 2011/12)
- Deposits with UK Banks and Building Societies systemically important to the UK banking system and deposits with select non-UK Banks (Australia, Canada, Finland, France, Germany, Netherlands, Spain, Switzerland and the US). (Non-UK Banks not used in 2011-12)
- Bonds issued by Multilateral Development Banks, such as the European Investment Bank (not used 2011/12).
- Treasury Bills (not used in 2011-12)

Until November 2011 the minimum credit rating criteria for new investments was a long term rating of A+/A1/A+ (Fitch/Moody's/S&P). Following downgrades to a number of systemically important financial institutions in the autumn of 2011, a lower minimum credit rating criteria of A-/A3/A- (Fitch/Moody's/S&P) was adopted by the authority.

In the main the Council made use of reserve accounts, allowing instant access to funds. Where longer term investments were made these have been restricted to a maximum 2 years. The table below shows the nominal value of the Council's investment portfolio at 31st March 2012, and confirms that all investments were made in line with the Council's approved credit rating criteria at the time of placing the investment:

Counterparty	Credit Rating Criteria Met When Investment Placed	Credit Rating Criteria Met on 31.03.2012	Balance Invested As at 31 March 2012 £000			Total £000
	Yes/No	Yes/No	Up to 1 month	1-3 months	3-6 months	
UK Banks (Deposits)	Yes	Yes	7,000	10,000	5,000	22,000
UK Building Society (Deposits)	Yes	Yes		5,000	5,000	10,000
UK Banks (Call Accounts)	Yes	Yes	46,920			46,920
Total			**53,920**	**15,000**	**10,000**	**78,920**

The above analysis shows that all deposits outstanding as at 31/03/2012 met the Council's credit rating criteria on the 31 March 2012. The analysis excludes the estimated carrying value after impairment of the Council's Icelandic investments of £0.636m

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 Authority'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. The Council, for example, is still seeking to recover amounts invested in the Icelandic banks and further details are provided below. A risk of irrecoverability applies to all of the authority's deposits, but there was no evidence at 31 March 2012 that this was likely to crystallize for any further deposits.

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

Credit Risk	Amounts at 31 March 2012	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2012	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks and other financial institutions	83,975	6.02%	6%	5,055
Customers	11,564	15.53%	n/a	1,796
Total	**95,539**			**6,851**

The historical experience of default for deposits with banks and other financial institutions is based on the outstanding amounts invested in Icelandic Banks as a % of the Council's total investments at the end of the year. In terms of risk management, all of the Council's investment portfolio is now held in UK institutions and there is a risk, albeit a small risk, should the UK Government, i.e. the sovereign state, collapse.
The Council does not generally allow credit for customers. After 28 days, recovery procedures are undertaken to recover any outstanding debt. The past due amount can be analysed by age as follows and includes balances outstanding up to 28 days:

Credit Risk	Restated 31 Mar 11	31 Mar 12
	£000	**£000**
Less than two months	9,588	6,749
Two to three months	301	137
Three to four months	1,177	432
Four months to one year	969	2372
More than one year	1,108	1,874
Total	**13,143**	**11,564**

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

	Amount Invested	Interest Rate	Maturity Date
	£	%	
Glitnir	1,000,000	6.21	09-Oct-08
	2,000,000	6.16	17-Oct-08
	2,000,000	6.14	20-Oct-08
	1,000,000	6.14	23-Oct-08
	6,000,000		
Landsbanki	1,000,000	6.17	29-Oct-08
	2,000,000	5.8	11-Mar-09
	1,000,000	5.9	11-May-09
	4,000,000		
Heritable	1,000,000	6.23	15-Oct-08
	1,000,000	6.15	17-Oct-08
	1,000,000	5.5	11-Feb-09
	3,000,000		

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers. The latest position on the recoveries of monies invested in the Icelandic banks is as follows:

Heritable Bank
Heritable bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. To date the Council has recovered £2.261m made up of principal of £2.151m and £0.110m of interest representing 71.71% of the agreed claim, leaving a balance outstanding of £0.892m (including interest).

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

The Council has instructed Bevan Brittan Solicitors (and through them Icelandic and English Counsel) to act for the Council in pursuing its claim through the courts. The Council's claim as a priority creditor was agreed as the principal deposited plus accrued interest at the contract rate to the original maturity of the deposits or to 22 April 2009 where the original maturity was after this date. Distribution of this claim is made by the Landsbanki Winding Up Board (WUB). To date the Council has recovered £1.748m made up of principal of £1.655m and interest of £0.093m representing 41.37% of the agreed claim. The balance outstanding reflected in the Council's accounts is £2.477m (including interest).

Glitnir Bank hf

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

The Council has instructed Bevan Brittan Solicitors (and through them Icelandic and English Counsel) to act for the Council in pursuing its claim through the courts The Council's claim as a priority creditor was agreed as the principal deposited plus accrued interest at the contract rate to the original maturity of the deposits. Distribution of this claim is made by the Glitnir Winding Up Board (WUB). To date the Council has recovered £5.033m made up of principal of £4.742m and interest of £0.291m representing 79.03% of the agreed claim. The balance outstanding reflected in the Council's accounts is £1.335m (including interest).

The Council continues to pursue recovery of the outstanding monies through the Icelandic Courts in partnership with the Local Government Association working on behalf of all Authorities with residual Icelandic Deposits.

The cumulative impairment charge for the Icelandic banks was £7.665m, made up of principal of £5.904m and interest £1.761m. This was charged to the Council's revenue account in 2009/10 and funded from the approved Capitalisation Direction and reserve transfer.

The impairment charge was calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered. Following continued uncertainty over the recovery of deposits this impairment was not changed in the 2010/11.

The Council has reduced this impairment by £1.284m in 2011/12 in line with recoveries made up to the date of publishing these draft accounts. The calculation of the impairment by the Council differs from the guidance issued by CIPFA under LAAP 82 (as updated May 2012) which, recommends the recoveries for Heritable, Landsbanki and Glitnir based on assumed collection rates of 86%, 100% and 100% respectively. The Council has used a prudent approach to both maximising the capitalisation direction it received, and also in calculating the impairment adjustment due to the continued uncertainty over the level of future recovery. If the Council had applied the LAAP guidance the impairment adjustment would have been a reduction of £4.751m, a difference (reduction) of £3.467m. The impairment will continue to be reduced as and when further recoveries are made.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meets its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future with Prudential Indicators included in the Treasury Management Strategy setting maximum levels of debt to mature within any financial year.

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

Loans outstanding	Restated 1 Apr 2010 £000	Restated 31 Mar 2011 £000	31 Mar 2012 £000
Public Works Loans Board	(28,889)	(61,315)	(61,315)
Market debt	(130,000)	(130,000)	(130,000)
Temporary borrowing	(73,650)	(94,985)	(15,000)
Local bonds	(83)	(83)	(83)
Devon Debt	(33,937)	0	0
Deferred Liability (PFI)	(33,156)	(31,753)	(31,017)
Deferred Liability (Finance Leases)	(3,800)	(3,263)	(2,585)
Other Liabilities	(9,558)	(9,163)	(9,408)
Trade Creditors	(35,531)	(31,334)	(28,963)
Total	**(348,604)**	**(361,896)**	**(278,371)**

Less than 1 year	(113,643)	(126,301)	(45,326)
Between 1 and 2 years	(3,651)	(1,980)	(1,851)
Between 2 and 5 years	(8,266)	(5,017)	(4,262)
Between 5 and 10 years	(15,869)	(11,334)	(11,371)
Between 10 and 20 years	(20,623)	(26,712)	(46,989)
Between 20 and 30 years	(35,960)	(36,469)	(15,177)
Between 30 and 40years	(12,220)	(1,411)	(4,505)
Between 40 and 50 years	(22,507)	(41,226)	(37,455)
Over 50 years	(115,865)	(111,446)	(111,435)
Total	**(348,604)**	**(361,896)**	**(278,371)**

All trade and other payables are due to be paid in less than one year.
There is £56m in the over 50 year category of LOBO's which have a call date in the next 12 months.

£15m of short term borrowing in place at 31 March 2012 was taken under approved authority to meet the Council capital financing and cash flow requirements to the end of the financial year. These loans can be repaid from cash flow and maturing deposits in 2012/13 if required thus reducing credit risk. These repayments are not subject to liquidity risk and as there is no need to replace this borrowing as there will be no exposure to interest rate risk.

Market Risk

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

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

The Council has a number of strategies for managing interest rate risk. The Council seeks to minimise this risk through expert advice on forecasts of interest rates received from our treasury management consultants. This is used to formulate a strategy for the year for both investments and borrowing. This strategy is periodically reviewed during the year to update for any modifications required in the light of actual movements in interest rates. As part of this strategy limits are set for variable interest rate exposure to ensure that variable rate borrowing does not exceed variable rate investments. In both cases variable rates are considered to be any loan or investments with maturities of less than 1 year or longer term loans or investments with the period to maturity falling below 1 year. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. Any variations during the year are reported to the Treasury Management Board, who discuss action required in terms of any changes to the day to day implementation of the Council's investment strategy, and also form part of the quarterly monitoring reports to Cabinet.

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

Foreign Exchange Risk
The council currently has approximately £1.187m in Icelandic Krona (ISK) remaining in Escrow in Iceland. The Council is currently working with the LGA , Bevan Brittan and other affected authorities to research ways of converting the ISK element of the impaired Icelandic deposit into Foreign Exchange.

18. Debtors

18.1. Long Term Debtors

Long Term Debtors	Restated 1 Apr 2010 £000	Restated 31 Mar 2011 £000	31 Mar 2012 £000
Secured Debt	781	505	865
Council House Mortgages	46	31	20
Other Loans/Mortgages	436	195	206
LATS Purchases	72	0	0
Total Long Term Debtors	**1,335**	**731**	**1,091**

The Council has a number of legal charges secured on properties to cover the payment of Adult Social Care fees and charges for services. Based on historical trends, the Council is unlikely to secure payment of the relevant debt within the next 12 months. Fees and charges for services continue to be raised on a monthly basis which results in the debt increasing until such time as a property is sold and the charge is redeemed.

18.2. Short Term Debtors

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

Short Term Debtors	Restated 1 Apr 2010	Restated 31 Mar 2011	31 Mar 2012
	£000	£000	£000
Amounts Falling Due in One Year			
Central Government Departments	19,151	12,226	13,618
Public Corporations & Trading Funds	0	57	0
NHS Bodies	2,860	1,744	3,027
Other Local Authorities	3,540	3,046	1,907
Other entities and individuals	22,650	18,338	14,899
Total Short Term Debtors	**48,201**	**35,411**	**33,451**

18.3 Bad Debt Provision

The movement on the allowance for non-collectability of debt (bad debt provision) account over the year was as follows:

Bad Debt Provision	Balance 31 Mar 2011	Provision made in year	Provision used in year	Balance 31 Mar 2012
	£000	£000	£000	£000
General Fund	(1,785)	(788)	425	(2,148)
Housing Benefit Overpayments Provision	(2,054)	(294)	211	(2,137)
Ex HRA Bad Debt Provision	(219)	0	25	(194)
Collection Fund	(6,794)	(639)	547	(6,886)
Total Provisions For Bad Debt	**(10,852)**	**(1,721)**	**1,208**	**(11,365)**

Further detail on the Collection Fund can be found in note 4 to the Collection Fund on page 111.

19. Assets Held for Sale

The following table shows the movement in assets held for sale during the year. All assets are expected to be sold within the next 12 months and are therefore classified as short term for Balance Sheet purposes.

Assets held for Sale	Restated 2010/11	2011/12
	£000	£000
Balance outstanding at start of year	2,510	3,057
Assets newly classified as held for sale:		
Property, Plant and Equipment	783	1,296
Investment Properties	0	84
Revaluation gains	0	26
Impairment losses	0	(25)
Assets declassified as held for sale:		
Property, Plant and Equipment	(110)	0
Investment Properties	0	(571)
Assets sold	(126)	(24)
Balance as at 31 March	**3,057**	**3,843**

20. Creditors

20.1. Short Term Creditors

Creditors payable within the next 12 months are:

Creditors	Restated 1 Apr 2010 £000	Restated 31 Mar 2011 £000	31 Mar 2012 £000
Central Government Departments	(15,841)	(9,834)	(35,343)
Corporations & Trading Funds	(59)	(6)	(26)
NHS Bodies	(1,140)	(1,857)	(3,504)
Other Local Authorities	(5,059)	(5,286)	(4,460)
Other entities and individuals	(50,856)	(45,298)	(45,501)
Total	**(72,955)**	**(62,281)**	**(88,833)**

20.2. Long Term Creditors

Creditors falling due after more than 12 months are:

Creditors falling due after more than 12 months	Restated 1 Apr 2010 £000	Restated 31 Mar 2011 £000	31 Mar 2012 £000
Other Local Authorities	(20,166)	(18,227)	(16,438)
Other entities and individuals	(495)	(530)	(347)
Total	**(20,661)**	**(18,757)**	**(16,785)**

The amount included within the other Local authorities relates to a liability to Devon County Council for unfunded pension liabilities relating to pre Local Government Reorganisation.

20.3. Other Long Term Liabilities

Other Long Term Liabilities	Restated 1 Apr 2010 £000	Restated 31 Mar 2011 £000	31 Mar 2012 £000
PFI Finance Leases	(32,453)	(31,017)	(30,246)
Other Finance Leases	(3,148)	(2,759)	(2,190)
Tamar Science Park	(1,224)	(1,004)	(818)
Devon County Council Pre-LGR debt	(32,580)	0	0
Cornwall Council - re Tamar Bridge & Torpoint Ferry	(9,125)	(8,729)	(8,947)
Total	**(78,530)**	**(43,509)**	**(42,201)**

21. Provisions

The Council has a number of budget provisions set up to meet known liabilities. Provisions are compulsory and required to comply with accounting standards. The balance on the provisions at year end together with movement in the year is outlined below:

Insurance Provisions:	Balance 31 Mar 2011	Receipts in year	Payments in year	Unused amounts reversed in year	Balance 31 Mar 2012
	£000	£000	£000	£000	£000
- General Fund	(3,603)	(2,205)	1,081	673	(4,054)
- Housing	(342)	0	108		(233)
- Employers' Liability	(2,217)	(708)	690	317	(1,918)
- Balance of Risk for Schools	(164)	(89)	111		(142)
- Pre LGR Insurance Liabilities	(47)	0	8		(39)
Total Insurance Provisions	**(6,373)**	**(3,002)**	**1,998**	**990**	**(6,386)**
Other Provisions:	**Balance 31 Mar 011**	**Receipts in year**	**Payments in year**	**Unused amounts reversed in year**	**Balance 31 Mar 2012**
	£000	£000	£000	£000	£000
- Redundancy Provision	(177)	(107)	177		(107)
- CiCT Information Fine	0	(60)	0		(60)
- Rent Collection Account	(171)	0	0		(171)
- Backdated Equal Pay claims	(3,328)	0	6		(3,322)
- Liability for BMW Landfill Usage	(737)	(640)	737		(640)
Total Other Provisions	**(4,413)**	**(807)**	**920**	**0**	**(4,300)**
Total Provisions	**(10,786)**	**(3,809)**	**2,918**	**990**	**(10,686)**

21.1. Insurance Provisions

Insurance Funds

With regard to the cost of insurances, the Council insures only part of its risks externally through insurance companies, with other risks covered by specific internal funding. The insurance provision receives contributions from charges made to service revenue accounts for insurance, and payments are made from the fund in respect of insurable liabilities, which are covered internally.

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.

Not covered	
Liability	First £250,000 of any claim
Main Fire Insurance	First £100,000 of any claim
Money & Fidelity Guarantee	First £10,000 of any claim
Computer All Risks	Variable between £1,000 and £10,000 of any claim
Other All Risks	First £10,000 of any claim

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

Liability	£3.96m

Main Fire	£0.6m
Money	£0.05m

Ex HRA Insurance Fund
Although the housing stock was transferred during 2009/10 there are a number of outstanding claims which remain the responsibility of the City Council. Additional claims may also be received in future relating to the period prior to stock transfer. Following the closure of the HRA the risk fund will continue to be separately identified for disclosure purposes but adjustments to the provision will be accounted for within the General Fund.

21.2. Other Provisions

In addition to the insurance provision, the Council also has a number of other provisions set up to meet the costs of liabilities that have not been settled as at the Balance Sheet date.

Of the £10.686m held in provisions at 31 March 2012, £2.878m is expected to be used within the next 12 months and is therefore disclosed as a current liability within the Balance Sheet. The remaining £7.808m is shown within long term liabilities.

22. Reserves

22.1. Usable and Unusable Reserves Summary

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

Reserves Summary	Restated 1 Apr 2010 £000	Restated 31 Mar 2011 £000	31 Mar 2012 £000
Usable Reserves			
General Fund Balance	11,518	11,413	11,301
Earmarked General Fund Reserves	28,985	34,176	26,437
Housing Revenue Account Balance	1,792	0	0
Capital Receipts Reserve	21,359	22,490	9,289
Capital Grants and Contributions Unapplied	20,222	13,771	12,393
Total Usable Reserves	**83,876**	**81,850**	**59,420**
Unusable Reserves			
Revaluation Reserve	121,496	117,811	121,354
Capital Adjustment Account	526,337	385,105	388,987
Financial Instruments Adjustment Account	(3,722)	(3,851)	(3,932)
Pensions Reserve	(472,476)	(238,446)	(352,572)
Collection Fund Adjustment Account	(253)	(325)	527
Unequal Pay Back Pay Account	(1,843)	(1,843)	(1,843)
Accumulating Compensated Absences Adjustment Account	(5,194)	(4,668)	(5,043)
Deferred Capital Receipts	56	43	30
Total Unusable Reserves	**164,402**	**253,826**	**147,508**
Total Reserves	**248,278**	**335,676**	**206,928**

22.2. Earmarked Reserves

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

Earmarked Reserves	Restated balance 1 Apr 2010 £000	Restated Transfer to Reserves in year £000	Restated Transfers from Reserves in year £000	Restated balance 31 Mar 2011 £000	Transfer to Reserves in year £000	Transfers from Reserves in year £000	Balance 31 Mar 2012 £000
Trading Account and other Statutory Ringfenced Reserves	153	2,954	(2,879)	228	3,136	(2,932)	432
Commuted Maintenance	1,155	98	(25)	1,228	15	(267)	976
Education/Schools Earmarked Reserves	9,520	1,971	(2,545)	8,946	4,733	(7,958)	5,721
PCC Earmarked Reserves for policy/future liabilities	15,209	12,641	(7,805)	20,045	5,183	(9,248)	15,980
Other Ringfenced Reserves	2,259	1,277	(296)	3,240	720	(1,157)	2,803
Other Reserves	689	118	(318)	489	196	(160)	525
Total Earmarked Reserves	**28,985**	**19,059**	**(13,868)**	**34,176**	**13,983**	**(21,722)**	**26,437**

A more detailed breakdown of reserves can be found in Appendix E of the Performance & Finance Report which went to Cabinet on 12th June 2012.

http://www.plymouth.gov.uk/mgInternet/documents/s38401/Performance%20and%20Finance%20Report%20including%20capital%20programme%20update%20appendices.pdf

The main earmarked reserves and their purpose are as follows:

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

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

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

Commuted Maintenance Reserves
One-off sums are received periodically by the Council from developers towards future maintenance obligations and improvement works arising from land adopted by the Council following development work.

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 2012 balance was £4.449m (31 March 2011 £5.540m).

PFI Reserve – The Council receives PFI credits towards the schools PFI contract at Wood View 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

PCC Earmarked Reserves
These are earmarked reserves for policy and/or future liabilities. They include reserves in relation to Accommodation, Pensions, Redundancies and Waste potential liabilities, along with an Invest to Save Reserve which was set up using balances released from other reserves to be used to support/pump prime invest to save initiatives to deliver budget savings over the medium term.

Other Ringfenced Reserves
These include the reserves for the A386 Park & Ride Leased Spaces and Tamar Bridge & Torpoint Ferry Joint Committee.

Other Reserves
There are several smaller reserves including those relating to Weston Mill Improvements and Real-Time Passenger Information.

22.3. Usable Capital Receipts

Capital receipts are received by the Council for the sale of assets and the repayment of mortgage loans. 75% of receipts relating to former HRA Right To Buy sales, including mortgage repayments, are paid over to central Government whilst the balance remaining may be used for the following:

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

The table below shows the movement in the reserve during the year:

Usable Capital Receipts	2010/11 £000	2011/12 £000
Balance at 1 April	21,359	22,490
Add: Receipts from sales of assets etc.	3,795	5,251
Equated Interest	200	113
	25,354	27,854
Less:		
Right to Buy Administration Costs	(6)	0
Housing Pooled Capital Receipts Paid to Central Government	(44)	(39)
Used to Finance Capital Expenditure	(2,814)	(18,526)
Balance at 31 March	**22,490**	**9,289**

22.4. Revaluation Reserve

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:

	Restated 2010/11 £000	2011/12 £000
Balance at 1 April	121,496	117,811
Upward revaluation of assets	36,903	15,229
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(31,983)	(2,908)
Surplus or deficit on the revaluation of non-current assets not posted to the Surplus of Deficit on the Provision of Services	4,920	12,321
Transfer to Capital Adjustment Account	0	(2,291)
Release of Investment Property Balance	0	(596)
Difference between fair value depreciation and historical cost depreciation	(6,190)	(6,123)
Accumulated gains on assets sold or scrapped	(2,415)	232
Amount written off to the Capital Adjustment Account	(8,605)	(8,778)
Balance at 31 March	**117,811**	**121,354**

22.5. 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 are charged to the Comprehensive Income and Expenditure Statement (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 Authority 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 Authority.

The Account 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

Capital Adjustment Account	Restated 2010/11 £000	2011/12 £000
Balance at 1 April	526,337	385,105
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	(161,035)	(33,693)
Revaluation losses on Property, Plant and Equipment	0	(15,336)
Amortisation of intangible assets	(597)	(636)
Revenue expenditure funded from capital under statute	(8,363)	(5,263)
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	(30,041)	(3,776)
Adjusting amounts written out of the Revaluation Reserve		2,887
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,814	18,526
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	48,295	30,497
Amounts reserved for future capital financing:-		
Statutory provision for the financing of capital investment charged against the General Fund Balance (includes TBTFJC element)	8,873	8,856
Capital expenditure charged against General Fund Balances	1,708	4,450
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,782)	(8,622)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	6,028
Other Movement on the CAA in year:-		
Write Down of Long Term Debtors	(269)	(47)
Adjustment re Pre 2004 Leases	165	11
Balance at 31 March	**385,105**	**388,987**

22.6. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited 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 expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund over the next 45 years.

The movement on the account in 2011/12 is shown below:

Financial Instruments Adjustment Account	2010/11 £000	2011/12 £000
Balance1 April	(3,722)	(3,851)
Movement in year:		
Premiums-amortised cost	53	53
Discounts - amortised cost	(239)	(242)
Soft loans adjustment	7	60
Stepped LOBO Loan Adjustment	50	48
Balance 31 March	**(3,851)**	**(3,932)**

22.7. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. 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 Authority 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.

Pension Reserve Account	Restated 2010/11 £000	2011/12 £000
Balance at 1 April	(472,476)	(238,446)
Actuarial gains or losses on pensions assets and liabilities	156,298	(118,569)
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	53,949	(18,325)
Employer's pensions contributions and direct payments to pensioners payable in the year	23,160	22,294
Increase in Plymouth's share of net deficit in year of Devon County Council Pension Fund	623	474
Balance at 31 March	**(238,446)**	**(352,572)**

22.8. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account	2010/11 £000	2011/12 £000
Balance at 1 April	(253)	(325)
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	(72)	852
Balance at 31 March	**(325)**	**527**

22.9. Equal Pay Back Pay Account

Many Authorities are experiencing large numbers of claims for back pay from appeals about equal pay arising from the implementation of the single status agreement. The Equal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

Equal Pay Back Pay Account	2010/11 £000	2011/12 £000
Balance at 1 April	(1,843)	(1,843)
Increase in provision for back pay in relation to Equal Pay cases	0	0
Cash settlements paid in the year	0	0
Balance at 31 March	**(1,843)**	**(1,843)**

22.10. Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Accumulating Compensated Absences Adjustment Account	Restated 2010/11 £000	2011/12 £000
Balance at 1 April	(5,194)	(4,668)
Settlement or cancellation of accrual made at the end of the preceding year	5,194	4,668
Amounts accrued at the end of the current year	(4,668)	(5,043)
Balance at 31 March	**(4,668)**	**(5,043)**

22.11. Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognized in the disposal of non- current assets but for which cash settlement has yet to take place. Under statutory arrangements the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Usable capital receipts reserve. The balance on the Deferred Capital Receipts Account represents amounts outstanding on mortgages granted to ex- Council tenants to purchase their Council Houses under Right to Buy (RTB) Legislation. During the year a total of £0.013m (£0.013m 2010/11) was repaid in respect of these loans. The Council no longer offers loans for this purpose. Although the stock has been transferred to PCH, the mortgages remain the responsibility of the Council.

The housing mortgage portfolio is managed by LAMAC. At 31 March 2012 there were 10 mortgages outstanding with a debt of £0.030m.

23. Cash Flow Disclosures

23.1. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

Note A to the Cashflow Statement	Restated 2010/11 £'000	2011/12 £'000
Net Surplus or (Deficit) on the Provision of Services	**(73,822)**	**(22,502)**
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	161,793	39,948
Impairment and downward valuations	0	28,404
Amortisation	0	636
Material impairment losses on Investments debited to surplus or deficit on the provision of services in year	0	(1,284)
Soft Loans (non Subsidiary)-Interest adjustment credited to CIES during year	(6)	(60)
Adjustments for effective interest rates	(51)	(47)
Increase/decrease in provision for impairments/doubtful debts re: Loans & Advances	(214)	334
Increase/Decrease in Interest Creditors	(33)	848
Increase/Decrease in Creditors	(12,248)	2,850
Increase/Decrease in Interest and Dividend Debtors	303	2,956
Increase/Decrease in Debtors	4,349	4,048
Increase/Decrease in Inventories	(299)	7
Pension Liability	(54,280)	18,325
Contributions to/(from) Provisions	4	(94)
Provision for Equal Pay	(2)	(4)
Accumulated Absence	(529)	(374)
Carrying amount of non-current assets sold	30,042	3,776
Carrying amount of short and long term investments sold	369,776	138,208
Movement in Investment Property values	0	(4,447)
	498,605	**234,030**
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Capital Grants credited to surplus or deficit on the provision of services	(41,843)	(29,120)
Proceeds from the sale of short and long term investments	(369,776)	(138,211)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(3,776)	(5,363)
	(415,395)	**(172,694)**
Net Cash Flows from Operating Activities	**9,388**	**38,834**

Note B to the Cash Flow Statement - Operating Activities (Interest)	Restated 2010/11	2011/12
	£000	£000
Ordinary interest received	2,841	299
Soft Loans (non Subsidiary)-Interest adjustment credited to CIES during year	(6)	(60)
Opening Debtor	2,446	3,614
Closing Debtor	(2,143)	(658)
Interest Received	**3,138**	**3,195**
Interest charge for year	(12,796)	(10,901)
Adjustments for differences between Effective Interest Rates and actual interest payable	(51)	(47)
Adjustment for impairment losses on Long & Short Term Investments charged to Interest Payable	0	(1,284)
Opening Creditor	(1,949)	(1,916)
Closing Creditor	1,916	2,764
Interest Paid	**(12,880)**	**(11,384)**

23.2. Cash Flow Statement – Investing Activities

Note C to the Cash Flow Statement - Cash Flows from Investing Activities	Restated 2010/11	2011/12
	£000	£000
Property, Plant and Equipment Purchased	(70,322)	(64,172)
Purchase of Investment Properties	0	(2,637)
Other Capital Payments	0	(6,294)
Add back new Finance Leases (non cash flow item)	127	0
Opening Capital Creditors	(4,994)	(6,103)
Closing Capital Creditors	6,103	1,173
Movement on other capital creditors	28	4,466
Purchase of Property, Plant and Equipment, investment property and intangible assets	**(69,058)**	**(73,567)**
Purchase of short and long term investments	**(366,245)**	**(96,385)**
Long term loans granted	(157)	(10)
Other payments for Investing Activities	**(157)**	**(10)**
Proceeds from the sale of property plant and equipment, investment property and intangible assets	**1,598**	**5,462**
Proceeds from short term investments	355,776	122,211
Proceeds from long term investments	14,000	16,000
Proceeds from short-term and long-term investments	**369,776**	**138,211**
Other capital cash receipts	2,998	(676)
Capital Grants Received	41,242	29,141
Other capital cash receipts in advance	24	(21)
Other Receipts from Investing Activities	**44,264**	**28,444**
Total Cash Flows from Investing Activities	**(19,822)**	**2,155**

23.3. Cash Flow Statement – Financing Activities

Note D to the Cash Flow Statement - Cash Flows from Financing Activities	Restated 2010/11	2011/12
	£000	£000
Cash receipts of short and long term borrowing	1,102,070	589,560
Billing Authorities - Council Tax and NNDR adjustments	7,648	(279)
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	(71)	851
Repayment of Short-Term and Long-Term Borrowing	(1,082,247)	(670,697)
Payments for the reduction of a finance lease liability	(663)	(394)
Payments for the reduction of a PFI liability	(1,403)	(737)
Total Cash Flows from Financing Activities	**25,334**	**(81,696)**

23.4. Cash Flow Statement – Cash and Cash Equivalents

Note E - Makeup of Cash and Cash Equivalents	Restated 1 Apr 2010	Restated 31 Mar 2011	31 Mar 2012
	£000	£000	£000
Cash and Bank Balances	2,787	1,475	1,161
Cash Investments - regarded as cash equivalents	76,145	92,357	51,964
Bank Overdraft	0	0	0
Total	**78,932**	**93,832**	**53,125**

24. Amounts reported for resources allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular no charges are made in relation to capital expenditure whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement. The cost of retirement benefits is based on cash flows payment of employer's pensions contributions rather than current service cost of benefits accrued in the year and expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority's General fund directorates recorded in the budget reports for the year is as follows:-

2011/12	**Chief Executive**	**Children and Young People**	**Community Services**	**Corporate Items**	**Corporate Support**	**Development and Regeneration**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, Charges & other service income	(122)	(139,172)	(39,422)	(15,526)	(17,350)	(14,511)	(226,103)
Government grants & contributions	0	(146,186)	(2,464)	(3,504)	(116,459)	(2,788)	(271,401)
Total	**(122)**	**(285,358)**	**(41,886)**	**(19,030)**	**(133,809)**	**(17,299)**	**(497,504)**
Employee expenses	2,088	133,664	40,469	3,112	27,139	10,214	216,686
Other operating Expenses	669	193,801	109,408	15,518	135,472	25,071	479,939
Support Service Recharges	1	5,587	2,278	193	632	537	9,228
Total	**2,758**	**333,052**	**152,155**	**18,823**	**163,243**	**35,822**	**705,853**
Net Cost of Services	**2,636**	**47,694**	**110,269**	**(207)**	**29,434**	**18,523**	**208,349**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Net cost of services in Comprehensive Income and Expenditure Statement	**£000**
Cost of Services in Service Analysis	208,349
Add Adjustments and Amounts not reported in Management accounts (including incorporation of Tamar Bridge & Torpoint Ferry)	75,014
Add Net Expenditure of Services not included in the main analysis (Trading)	(2,059)
Remove amounts reported to management not included in Comprehensive Income and Expenditure	(36,389)
Net Cost of Services in Comprehensive Income and Expenditure Statement	**244,915**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	Service Analysis	**Adjustments & Amounts not in Management accounts**	**Services not in main analysis**	**Not included in I&E**	**Net cost of services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(219,771)	129,772	(10,112)	23,350	(76,761)	(38,785)	(115,546)
Government grants & contributions	(271,401)	(2,112)	0	3,546	(269,967)	(145,228)	(415,195)
Income from Council Tax	0	0	0	0	0	(96,758)	(96,758)
Interest and Investment income	(6,332)	0	0	6,332	0	(8,184)	(8,184)
Total Income	**(497,504)**	**127,660**	**(10,112)**	**33,228**	**(346,728)**	**(288,955)**	**(635,683)**
Depreciation, amortisation and impairment	1,447	45,325	2,947	(2,010)	47,709	1,404	49,113
Employee expenses	216,686	(6,329)	2,141	(29,159)	183,339	40,780	224,119
Gain or Loss on disposal of Fixed Assets	0	0	0	0	0	2,642	2,642
Interest Payments	7,532	0	0	(7,532)	0	25,762	25,762
Other service Expenses	470,838	(120,673)	2,498	(29,266)	323,397	(5,418)	317,979
Payments to Housing Capital Receipts Pool	0	0	0	0	0	39	39
Precepts and levies	122	0	0	(122)	0	122	122
Support service recharges	9,228	29,031	467	(1,528)	37,198	1,211	38,409
Total Operating Expenses	**705,853**	**(52,646)**	**8,053**	**(69,617)**	**591,643**	**66,542**	**658,185**
Surplus or deficit on the provision of services	**208,349**	**75,014**	**(2,059)**	**(36,389)**	**244,915**	**(222,413)**	**22,502**

Amounts reported for resources allocation decisions (2010/11 Comparative)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular no charges are made in relation to capital expenditure whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement. The cost of retirement benefits is based on cash flows payment of employer's pensions contributions rather than current service cost of benefits accrued in the year and expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority's General fund directorates recorded in the budget reports for the year is as follows:-

	Chief Executive	Children and Young People	Community Services	Corporate Items	Corporate Support	Development and Regeneration	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & other service income	(379)	(205,924)	(43,211)	(14,830)	(16,601)	(14,919)	(295,864)
Government grants & contributions	(691)	(203,518)	(3,648)	(20,944)	(108,832)	(2,876)	(340,509)
Total	**(1,070)**	**(409,442)**	**(46,859)**	**(35,774)**	**(125,433)**	**(17,795)**	**(636,373)**
Employee expenses	1,824	186,761	44,611	2,757	28,309	10,208	274,470
Other operating Expenses	970	268,913	111,120	21,055	127,834	23,546	553,438
Support Service Recharges	6	5,559	3,533	233	599	465	10,395
Total	**2,800**	**461,233**	**159,264**	**24,045**	**156,742**	**34,219**	**838,303**
Net Cost of Services	**1,730**	**51,791**	**112,405**	**(11,729)**	**31,309**	**16,424**	**201,930**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Net cost of services in Comprehensive Income and Expenditure Statement	£000
Cost of Services in Service Analysis	201,930
Add Adjustments and Amounts not reported in Management accounts (including incorporation of Tamar Bridge & Torpoint Ferry)	101,684
Add Net Expenditure of Services not included in the main analysis (Trading)	(1,799)
Remove amounts reported to management not included in Comprehensive Income and Expenditure	(21,121)
Net Cost of Services in Comprehensive Income and Expenditure Statement	**280,694**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Subjective Analysis	Service Analysis	Adjustments and Amounts not reported in Management Accounts	Services not in Main Analysis	Not included in I&E	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(290,955)	99,957	(8,772)	14,545	(185,225)	(2,059)	(187,284)
Government grants & contributions	(340,509)	5,683	0	20,522	(314,304)	(165,620)	(479,924)
Income from Council Tax	0	0	0	0	0	(95,732)	(95,732)
Interest and Investment income	(4,909)	(6)	(4)	4,909	(10)	(5,161)	(5,171)
Total Income	**(636,373)**	**105,634**	**(8,776)**	**39,976**	**(499,539)**	**(268,572)**	**(768,111)**
Depreciation, amortisation and impairment	459	154,459	2,430	(456)	156,892	11	156,903
Employee expenses	274,470	(3,452)	1,951	(24,515)	248,454	14,575	263,029
Gain or Loss on disposal of Fixed Assets	0	0	0	0	0	24,828	24,828
Interest Payments	7,706	0	159	(7,706)	159	15,662	15,821
Other service Expenses	545,079	(184,835)	2,072	(27,406)	334,910	6,373	341,283
Payments to Housing Capital Receipts Pool	0	0	0	0	0	44	44
Precepts and levies	194	0	0	(194)	0	194	194
Support service recharges	10,395	29,878	365	(820)	39,818	13	39,831
Total Operating Expenses	**838,303**	**(3,950)**	**6,977**	**(61,097)**	**780,234**	**61,700**	**841,933**
(Surplus) or Deficit on the Provision of Services	**201,930**	**101,684**	**(1,799)**	**(21,121)**	**280,694**	**(206,872)**	**73,822**

25. Trading Operations

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

The surplus or deficit in respect of Plymouth City Market is charged as Financing Income and Expenditure (see note 10 page 50).

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

- Pension Costs (IAS 19)
- Capital Charges
- Employee Benefit accruals

25.1. Plymouth City Market

The position on Plymouth City Market for 2011/12 was a net trading surplus of £0.230m. The position prior to the statutory adjustments was a deficit of £0.143m. The net surplus is shown within the Financing and Investment Income line within the Comprehensive Income and Expenditure Statement.

Plymouth City Market	2010/11	2011/12
	£000	£000
Income from stall holders - Rents and charges	(1,208)	(1,151)
Expenditure	1,101	921
Trading (Surplus)/ Deficit	**(107)**	**(230)**

25.2. Car Parking Trading Operations

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

Car Parking Trading Operations	2010/11	2011/12
	£000	£000
Off Street Parking		
Income - Fees and charges	(5,319)	(5,138)
Expenditure	2,908	3,041
Trading (Surplus)/Deficit	**(2,411)**	**(2,097)**
On Street Parking		
Income - Fees & Charges	(2,887)	(3,295)
Expenditure	1,565	1,581
Trading (Surplus) / Deficit	(1,322)	(1,714)
Total Car Parking Trading Operations	**(3,733)**	**(3,811)**

Prior to the statutory adjustments, the position on the car parking accounts was as follows:

- Off street parking – surplus £0.424m
- On street parking - surplus £1.703m

26. Agency Services

The City Council carries out certain work on an agency basis on behalf of the Plymouth Primary Care Trust (PCT). The funded nursing care element of nursing home payments is paid with the social care element. In addition, an administrative charge is made to facilitate these payments.

	2010/11 £000	2011/12 £000
Expenditure incurred in providing services on behalf of PCT	4,898	19,313
Administration fee	41	83
Income received from PCT	(4,939)	(19,396)
Net surplus arising on the agency arrangement	**0**	**0**

27. Pooled Budgets

27.1. Plymouth Primary Care Trust

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

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

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

Adult Social Care - Community Equipment Services	2010/11	2011/12
Income	**£000**	**£000**
Contribution from Plymouth City Council	(772)	(640)
Contribution from Plymouth Primary Care Trust	(530)	(852)
Gross Income	**(1,302)**	**(1,492)**
Expenditure		
Employees	69	68
Other	2	2
Third Party Payments		
-Equipment	1,231	1,422
Gross Expenditure	**1,302**	**1,492**
Net Expenditure/(Income) for year	**0**	**0**
Accumulated deficit/(surplus) brought forward	**0**	**0**
Accumulated deficit/(surplus) carried forward	**0**	**0**

27.2. Youth Offending Service (YOS)

The Youth Offending Service (YOS) is made up of representatives from the police, probation service, children's social services, health, education, drugs and alcohol misuse and housing officers. The YOS identifies the needs of each young offender by assessing them using a national assessment tool, identifying specific problems as well as measuring potential risks. This enables the YOS to identify suitable programmes to address the needs of the young person with the intention of preventing further offending.

Youth Offending Service	2010/11	2011/12
Income	£000	£000
Contribution from Plymouth City Council	(631)	(554)
Contribution from partners - Police, Probation and Health	(163)	(149)
Other income - mainly Youth Justice Board Grants	(1,059)	(655)
Gross Income	**(1,853)**	**(1,358)**
Expenditure		
Employees	1,422	1,156
Premises	82	62
Transport	60	45
Supplies & Services	234	47
Third Party Payments	55	48
Gross Expenditure	**1,853**	**1,358**
Net Expenditure/(Income) for year	0	0
Accumulated deficit/(surplus) brought forward	0	0
Accumulated deficit/(surplus) carried forward	0	0

27.3. Other Pooled Budgets

The Council also has a number of other smaller pooled budget arrangements as follows:

	PCC Contribution £000
Plymouth Safeguarding Children Board	124
Green Infrastructure Project	20
Tamar Estuaries Consultative Forum	7

28. Members' Allowances

The Council made payments totalling £0.936m (2010/11: £0.937m) to its Members in the year made up as follows:

Members Allowances	2010/11	2011/12
	£000	£000
Basic Allowance	567	569
Special Responsibility Allowance	367	366
Travel, subsistence and other expenses	3	1
Total	**937**	**936**

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

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

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

29. Officers' Remuneration

29.1. 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. Where an employee's remuneration exceeds £150,000 there is an additional requirement that they be identified by name. Plymouth defines relevant senior staff as members of the Corporate Management Team (Directors) and Departmental Management Teams (Assistant Directors). In line with majority of the public sector, a pay freeze was implemented for the Council's senior management in 2011/12.

On 1 March 2012 a new departmental structure was introduced for the Council based on three new directorates focusing on People, Place and Corporate Services. The new structure aims to streamline the management and departmental structures and to better focus on our priorities.

The new senior management structure is set out below:

- the Director for Community Services took on the position of Director for People,
- the Director for Development & Regeneration took on the position of Director for Place,
- the Director for Corporate Support took on the role of Director for Corporate Services
- and the Assistant Director for ICT became the Programme Director for ICT Shared Services.

Senior Management Post	Financial Year	Note Number	Salaries	Fees & Allowances	Redundancy payment	Pension Contributions	Total Remuneration
Salary over £150,000							
Chief Executive - Barry Keel	2011/12	1	171,498	958	0	25,725	198,181
	2010/11		182,505	1,442	0	27,376	211,323
Salary over £50,000 but less than £150,000							
Director for Community Services *	2011/12	2	118,523	1,574	0	17,760	137,857
	2010/11		114,987	1,970	0	17,196	134,153
Director for Development & Regeneration *	2011/12		114,637	432	0	17,196	132,265
	2010/11		114,637	0	0	17,196	131,833
Director for Corporate Support *	2011/12		110,240	0	0	17,196	127,436
	2010/11		110,240	0	0	17,196	127,436
Director for Children and Young People	2011/12	3	111,064	2,023	11,825	16,660	141,572
	2010/11		129,699	2,119	0	19,455	151,273
Assistant Chief Executive	2011/12	4	76,239	27	1,000	11,207	88,473
	2010/11		99,614	157	0	14,942	114,713
Assistant Director Democ. & Governance	2011/12	5	89,444	17	0	17,139	106,600
	2010/11		85,426	58	0	12,691	98,175
Asst Director Learner & Family Support	2011/12		84,606	807	0	12,691	98,104
	2010/11		84,606	1,131	0	12,691	98,428
Asst Dir for Finance, Eff, Tech & Assets	2011/12	6	84,891	185	0	12,691	97,767
	2010/11		84,891	69	0	12,691	97,651
Asst Director for Environmental Services	2011/12		84,606	0	0	12,691	97,297
	2010/11		84,606	0	0	12,691	97,297
Asst Director for HR & Org Development	2011/12		84,606	94	0	12,691	97,391
	2010/11		84,606	0	0	12,691	97,297

Senior Management Post	Financial Year	Note Number	Salaries	Fees & Allowances	Redundancy payment	Pension Contributions	Total Remuneration
Assistant Director for Social Care	2011/12		84,606	499	0	12,691	97,796
	2010/11		84,606	873	0	12,691	98,170
Asst Dir for Adult Health & Social Care	2011/12		84,606	0	0	12,691	97,297
	2010/11		84,606	47	0	12,691	97,344
Assistant Director for Lifelong Learning	2011/12	7	83,014	1,722	0	12,452	97,188
	2010/11		84,606	1,587	0	12,691	98,884
Assistant Director for ICT *	2011/12		84,606	286	0	12,505	97,397
	2010/11		84,606	519	0	12,691	97,816
Assistant Director for Econ. Development	2011/12	8	73,050	293	0	10,957	84,300
	2010/11		70,848	257	0	10,627	81,732
Asst Director for Strategic Housing	2011/12		69,696	119	0	10,454	80,269
	2010/11		72,196	212	0	10,829	83,237
Assistant Director for Planning Services	2011/12		69,696	183	0	10,454	80,333
	2010/11		69,696	107	0	10,454	80,257
Asst Director for Culture Sport Leisure	2011/12	9	65,224	1,698	10,750	9,583	87,255
	2010/11		69,696	1,440	0	10,454	81,590
Assistant Director for Transport	2011/12		69,696	169	0	10,454	80,319
	2010/11		69,696	195	0	10,454	80,345
Assistant Director for CS and BT	2011/12		69,696	0	0	10,454	80,150
	2010/11		69,746	0	0	10,454	80,200
Assistant Director for Safer Communities	2011/12		57,387	648	0	8,575	66,610
	2010/11		57,764	621	0	8,665	67,050

Note 1 Reduction due to no election duties undertaken in 2011/12.

Note 2 Increase as a result of the senior management restructure.

Note 3 Position holder made redundant on 01/02/2012. Post deleted.

Note 4 Position holder made redundant on 31/12/2011. Post deleted.

Note 5 Increase due to local election duties undertaken in 2011/12.

Note 6 Increase due to professional fee paid by the employer.

Note 7 Position holder left the organisation on 25/03/2012. Post deleted.

Note 8 Increase due to higher market forces supplement.

Note 9 Position holder made redundant on 01/03/2012. Post deleted.

*On 1st March 2012 a new departmental structure was introduced for the Council based on three new directorates focusing on People, Place and Corporate Services.

The disclosure above shows the full year remuneration up to 31 March 2012.

29.2. 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 numbers below include the senior management disclosed in section 29.1 page 86.

Remuneration Banding	2010/11	2011/12
£50,000 - £54,999	71	61
£55,000 - £59,999	48	41
£60,000 - £64,999	41	25
£65,000 - £69,999	23	21
£70,000 - £74,999	9	9
£75,000 - £79,999	0	2
£80,000 - £84,999	10	5
£85,000 - £89,999	4	6
£90,000 - £94,999	2	3
£95,000 - £99,999	3	1
£100,000 - £104,999	1	0
£105,000 - £109,999	1	1
£110,000 - £114,999	3	1
£115,000 - £119,999	1	1
£120,000 - £124,999	0	2
£125,000 - £129,999	0	0
£130,000 - £134,999	1	0
£135,000 - £169,999	0	0
£170,000 - £174,999	0	1
£175,000 - £179,999	0	0
£180,000 - £184,999	1	0
Total	**219**	**180**

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

	2010/11	2011/12
Schools Based Staff:		
Teaching staff	135	101
Non teaching	2	1
Sub Total	**137**	**102**
Non Schools staff	82	78
Total	**219**	**180**

29.3 Employee Exit Packages

The authority incurred costs during 2011/12 relating to employee exit packages linked to compulsory and voluntary redundancies, a summary of which is shown below:

Exit package cost band	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	
£000	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £000	2011/12 £000
0 - 20,000	116	106	1	83	117	189	592	1,073
20,001 - 40,000	8	12	1	4	9	16	235	297
40,001 - 60,000	0	2	1	0	1	2	42	109
60,001 - 250,000	1	3	0	0	1	3	82	381
Total	**125**	**123**	**3**	**87**	**128**	**210**	**951**	**1,860**

The Authority terminated the contracts of a number of employees in 2011/12 including school based staff, incurring liabilities of £1.860m (£0.950m in 2010/11). This includes a sum of £0.660m to the pension fund in respect of pension strain payments. The Council's expenditure on Schools is primarily funded by the Dedicated Schools Grant provided by the Department of Education.

Reasons for termination included early retirement, voluntary and compulsory redundancies.
In the case of compulsory redundancies the council's Redundancy Avoidance Policy provide the possibility of redeployment to other jobs suited to the experience and ability of staff concerned in case of compulsory redundancies.

The above total for 2011/12 includes £0.107m provision for liabilities relating to employees who have received a redundancy notice but who have not left the authority by 31 March 2012.

30. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

External Audit Costs	2010/11	2011/12
Audit Area:	£000	£000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	336	322
Fees payable to the Audit Commission with regard to external audit services carried out in respect on the Tamar Bridge and Torpoint Ferry Joint Committee	9	7
Fees payable to Grant Thornton for the certification of grant claims and returns	49	81*
Fees payable in respect of other services provided by the appointed auditor.	4	9
Rebates received for reduction in external audit fee	(34)	(20)
Total	**364**	**399**

* The figure for the certification of grant claims include £0.052m in respect of 2011/12.

31. Government Grants

31.1. Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies, the Dedicated Schools Grant (DSG), provided by the Department for Education (DfE). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2011/12 are as follows:

Schools Budget Funded by Dedicated Schools Grant 2011/12		**Schools Budget Funded by Dedicated Schools Grant 2011/12**		
		Central Expenditure	**Individual Schools Budget**	**Total**
Note		**£000**	**£000**	**£000**
A	Final DSG for 2011/12			122,799
B	Overspend brought Forward from 2010/11			(216)
C	Brought fwd from 2012/13 agreed in advance			152
D	Agreed budgeted distribution in 2011/12	12,686	110,049	122,735
E	Actual central expenditure	11,849		
F	Actual ISB deployed to schools		109,065	
G	Local authority contribution for 2011/12	0	0	0
H	Carry forward of Under/(Overspend) to 2012/13	837	984	1,670

Comparative Figures for 2010/11		**Schools Budget Funded by Dedicated Schools Grant 2010/11**		
		Central Expenditure	**Individual Schools Budget**	**Total**
Note		£000	£000	£000
A	Final DSG for 2010/11			140,851
B	Carry Forward from 2009/10			(1,452)
C	Brought fwd from 2011/12 agreed in advance			415
D	Agreed budgeted distribution in 2010/11	12,046	127,768	139,814
E	Actual central expenditure	11,959		
F	Actual ISB deployed to schools		127,656	
G	Local authority contribution for 2010/11	0	0	0
H	Carry forward to 2011/12 Under/(Overspend)	87	112	(216)

A. DSG Figure £125,129k as issued by DfE on 1 July 2011, was reduced by March 2012 for Academy recoupment of £2,806k increased for Standards Fund 5th payment of £783k and reduced for Academies Teachers Pay Grant liability of £307k.
B. Figure brought forward from 2010/11 as agreed with the DfE.
C. Amount the authority decided after consultation with the Schools Forum in March 2011 to bring forward to 2011/12 rather than distribute in 2012/13 was £425k, which was decreased by the difference between the actual and estimated balance brought forward from 2010/11 of £83k, decreased by the value of 80% charitable relief on business rates for converter academies of £254k and increased by the difference between Final and Estimated DSG of £64k.
D. Budgeted distribution of DSG as per Published Section 251 Budget Statement as reported to the Schools Forum in March 2011 as reduced for Academy recoupment of £2,806k and Academies Teachers Pay Grant liability of £307k.

E. Actual amount of central expenditure items in 2011/12.
F. Amount of ISB actually distributed to schools in 2011/12.
G. Any contribution from the local authority in 2011/12 which will have the effect of substituting for DSG in funding the Schools Budget.
H. Carry forward to 2012/13 of the underspend against the Published Section 251 Budget Statement as amended for Academy recoupment of £2,806k and Academies Teachers Pay Grant liability of £307k for:
Central Expenditure and
Individual Schools Budget.
Total is carry forward of Central Expenditure plus carry forward of Individual Schools Budget minus carry forward to 2012/13 agreed in advance (row C).

31.2. Grant Income - Credited to the Comprehensive Income and Expenditure Statement (CIES)

The Authority credited the following revenue grants to Service areas in 2011/12:-

Government Grants Credited to Services	Restated 1 Apr 2011	2011/12
	£000	£000
Mandatory Rent Allowances & Non HRA Rent Rebates	85,121	92,439
Rent Rebates granted to HRA Tenants	(152)	(58)
Council Tax Benefit Grant	21,115	21,649
Benefits Admin Grant	2,486	2,430
Housing Subsidy (HRA) - payable to the national pool	(73)	0
Schools Standards Grant	7,538	0
Education Standards Fund	18,224	0
Learning and Skills Council	21,057	7,206
Surestart	9,122	0
DSG & Other Education Grants	140,116	122,776
Early Intervention Grant	0	11,673
Mental Health	150	0
Social Care Reform	1,243	0
Learning Disability and Health Reform	0	2,348
Other Social Services Grants	62	0
New Deal for Communities	1,453	670
Homelessness	341	0
New Homes Bonus	0	957
Local Area Agreements - Performance Reward Grant	757	0
Local Area Agreements - Pump Priming Monies	11	0
Concessionary Fares	1,115	0
Local Sustainable Transport Fund	0	1,021
Diploma Specific Grant	730	47
Growth Fund	299	130
Think Family / Parent Practitioner Grants	903	0
Youth Offending Grants	889	649
Contaminated land	0	30
Other Revenue Grants	1,623	304
Total Revenue Grants Received	**314,130**	**264,271**

The above revenue grants are in addition to the non-ringfenced Government grants reported in Note 11 on Page 50.

In addition the following capital grants and contributions have been credited to the Comprehensive Income and Expenditure Statement:

Capital Grants and Contributions	2010/11 £000	2011/12 £000
Big Lottery	(256)	(287)
Culture, Media & Sport	(75)	0
DEFRA	(157)	(49)
Department for Transport	(9,399)	(4,581)
Department of Communities & Local Government	(5,109)	(891)
Department of Health (Social Services)	(538)	(674)
Department for Education and Skills	0	(11,156)
England Netball	(100)	(100)
Environment Agency	(407)	(133)
Forestry Commission	(70)	(49)
Home Office SSCF	(45)	0
National Lottery	(3)	(99)
New Deal for Communities	(408)	(108)
Other Capital Contributions	(2,318)	(1,825)
Other Capital Grants	(633)	(375)
Other Children's Services Capital Grants	(1,220)	(102)
South West Councils	(200)	0
South West Regional Development Agency	0	(6,792)
Standards Fund	(17,277)	0
Sure Start Children's Grant	(2,940)	0
Section 106 - Plymouth Development Tariff	(40)	(187)
Section 106 - Negotiated Element	(648)	(1,711)
Total Grants & Contributions Received	**(41,843)**	**(29,119)**

The above grants and contributions were credited to the CIES as follows:

Capital Grants and Contributions	2010/11 £000	2011/12 £000
Adult Social Care	(455)	(66)
Cultural, Environmental, Regulatory & Planning Services	(828)	(66)
Central Services to the Public	(16)	0
Children's And Education Services	(2,875)	(1,680)
Housing Services	(1,937)	(1,468)
Highways & Transport Services	(50)	(170)
Corporate & Democratic Core	(28)	0
Non Distributable Costs	(27)	0
Total Recognised in the Surplus/Deficit on Continuing Operations	(6,216)	(3,450)
Financing and Investment Income and Expenditure	(2)	0
Total Recognised in the Surplus/Deficit on Continuing Operations	(6,218)	(3,450)
Taxation and Non-Specific Grant Income	(35,625)	(25,669)
Total Recognised in the (Surplus) or Deficit on Provision of Services	**(41,843)**	**(29,119)**

31.3 Grants held on the Balance Sheet

The Authority has received a number of grants and contributions 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 giver. The grants are carried on the Balance Sheet as a creditor in a grants receipts in advance account.

The balances at the year-end are as follows:

Revenue Grant Receipts in Advance	Restated 1 Apr 2010 £000	Restated 31 Mar 2011 £000	31 Mar 2012 £000
Skills Funding Agency	0	0	(710)
Children's Workforce Development Grant	0	0	(322)
Stepping Stones to Nature	(20)	(28)	(32)
Worklessness Co-ordinator Grant	0	(15)	0
CILT	0	(1)	0
Children’s University	0	(6)	0
Connecting Classrooms	0	(4)	0
SW International Education Network	0	(1)	0
Youth Offending Teams Grant	0	(14)	0
Warm Homes Healthy People	0	0	(119)
Metta Catherina Project	0	0	(21)
Comenius Regio Partnerships	0	0	(24)
YPLA - Provision of Further Education	0	0	(41)
Discretionary Housing Payments	0	0	(33)
Other Grants	(69)	(30)	(70)
Total	**(89)**	**(99)**	**(1,372)**

Capital Grants Receipts in Advance	Restated 1 Apr 2010 £000	Restated 31 Mar 2011 £000	31 Mar 2012 £000
Big Lottery Play Grant	(146)	0	0
Local Sustainable Transport Fund	0	0	(100)
Department for Education and Skills	0	0	(304)
Playbuilder Grant	(406)	0	0
Heritage Lottery Grant	(588)	(1,356)	(3,167)
Aiming High Grant	(116)	0	0
Sure Start Capital Grant	(1,313)	0	0
ESC Lottery Fund / Sport England	(1,990)	(1,990)	(1,990)
S278, S38 & S228 Agreements with Developers	(286)	(286)	(356)
S106 Negotiated Element	(6,641)	(6,308)	(4,408)
S106 Plymouth Development Tariffs	(16)	(174)	(626)
Other Contributions	(97)	(97)	(195)
Total	**(11,599)**	**(10,211)**	**(11,146)**

32. Related Party Transactions and Partnerships

32.1. Related Party Transactions

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

The table below outlines transactions between the Council and its subsidiaries, associates, 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	2010/11		2011/12	
	Receipts	**Payments**	**Receipts**	**Payments**
Subsidiary, Associated and Jointly Controlled organisations	£000	£000	£000	£000
Plymouth Investment Partnerships Ltd (PIP)	(31)	0	(65)	0
Tamar Science Park Ltd	0	202	0	77
The PLUSS Organisation Ltd	(44)	930	(6)	841
Assisted Organisations				
Call 24 Hour Ltd	(3)	94	(19)	124
Careers South West	(13)	2,221	(5)	1,711
Destination Plymouth	0	77	0	59
Devon Audit Partnership	(25)	670	(27)	473
Mayflower no 2 Trust	(29)	8	(31)	110
Millfields CEDT	(86)	110	(89)	86
Mount Batten Sailing and Water Sports Centre	(41)	151	(4)	108
Plymouth Citizens Advice Bureaux	0	218	0	249
Plymouth City Centre Company	(141)	1	(329)	26
Plymouth Waterfront Partnership	0	79	(1)	30
Routeways Board	(2)	611	(13)	518
Shekinah Mission	(3)	276	(1)	273
Theatre Royal (Plymouth) Ltd	(1)	2,640		
Wolseley CEDT	(208)	233	(260)	278
Totals	**(627)**	**8,521**	**(850)**	**4,963**

There are no related party transactions disclosed for Theatre Royal for 2011/12 as the Council no longer holds voting rights on the board.

Central Government
Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of transactions with Government Departments are set out in note 31 pages 89 to 93.

Members and Officers
Members of the Council have direct control over the Council's financial and operating policies. Members and Officers of the Council have returned 75 declarations of Related Party Transactions for 2011/12, a response rate of 93.75%. Where returns have not been submitted, the Register of Members' Interest has been checked for declarations. Travelling, subsistence, relocation and Members' allowances were discounted entirely in the assessment of related party transactions. There were 7 returns containing itemised transactions considered to be related transactions. The relevant Members did not take part in any discussion or decision relating to these transactions, details of which are recorded in the Register of Members' Interest, which is open to public inspection.

32.2. Accountable Body Schemes

New Deal for Communities (NDC)
The Council was the accountable body for the New Deal for Communities (NDC) Grant for the period it was managed and delivered through the Devonport Regeneration Community Partnership (DRCP). The NDC programme came to its natural completion at the end of 2010/11, however the Council currently holds a sum of £0.241m in a revenue reserve relating to agreements with DRCP to fund agreed activities post programme. Of this balance £0.022m will be transferred to the Devonport Neighbourhood Board for commissioning work in the Devonport Area.

Homelessness Initiatives
The remaining balance of £0.047m central government funding in relation to various regional homelessness initiatives will be paid over to Exeter City Council as part of the rough sleepers partnership.

Growing Places Fund
During 2011/12 Plymouth City Council acted as the Accountable Body for the Growing Places Fund (GPF) on behalf of the Heart of the Southwest Local Enterprise Partnership (HotSWLEP). The GPF, allocated by the Department for Communities and Local Government (DCLG), will be used by the HotSWLEP to invest in key items of infrastructure to enable development. The money invested in projects may be required to be returned to the LEP for re-investment in further infrastructure projects. The funds, totalling £21.5m, were received by PCC during February 2012 and it will be the HotSWLEP who will have responsibility for allocating the funding to specific projects that fit the funding criteria. The projects will be monitored and assessed by the HotSWLEP with the Accountable Body ensuring that the funding is being used on capital projects only.

The Council ceased to be the Accountable Body for the Growing Places Fund in August 2012, with this responsibility being transferred to Devon County Council with both parties' agreement. This change only affects the administration of the LEP and the Council continues to be fully committed to the initiative in all other aspects. Further details are provided in the Material Events after the Balance Sheet date section below and in Note 7 on page 47.

Local Sustainable Transport Fund
Plymouth City Council hosted a successful bid to the DfT's Local Sustainable Transport Fund for £2.98m towards smart public transport ticketing across the region in 2011/12. The Council hosted the bid on behalf of a third party organisation called South West Smart Applications Limited, which is a not for profit company made up of the 15 South West Local Authorities and large bus operators. In 2011/12 £0.830m revenue and £0.305m capital was claimed from the DfT which matches exactly the spend profile for the year. The remaining funds will be spent in 2012/13.

33. Leases

33.1. Authority as a lessee – finance leases

The buildings acquired under a finance lease are carried in the Balance Sheet as Investment Property and the other assets are carried as Property, Plant and Equipment at the following net amounts:

	Restated 1 Apr 2010	Restated 31 Mar 2011	31 Mar 2012
	£000	£000	£000
Other Land and Buildings	1,904	1,904	1,904
Vehicles, Plant, Furniture and Equipment	2,725	2,448	1,781
	4,629	**4,352**	**3,685**

During 2011/12 depreciation of £0.242m (2010/11: £0.414m) was charged in relation to assets held under finance leases.

The Authority is committed to making minimum payments under these leases comprising both settlement of the long - term liability for the interest in the assets acquired by the Authority together with the finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	1 Apr 2010 £000	31 Mar 2011 £000	31 Mar 2012 £000
Finance lease liabilities (net present value of minimum lease payments):			
Current	651	504	395
Non Current	3,148	2,759	2,190
Finance costs payable in future years	4,365	4,151	3,895
Minimum lease payments	**8,164**	**7,414**	**6,480**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments			Finance Lease Liabilities		
	1 Apr 2010 £000	31 Mar 2011 £000	31 Mar 2012 £000	1 Apr 2010 £000	31 Mar 2011 £000	31 Mar 2012 £000
Not later than one year	905	733	576	651	504	395
Later than one year and not later than five years	2,139	1,737	1,128	1,431	1,083	550
Later than five years	5,120	4,944	4,776	1,717	1,676	1,640
Total	**8,164**	**7,414**	**6,480**	**3,799**	**3,263**	**2,585**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The Authority has sub-let some of the accommodation held under these finance leases. At 31 March 2012 the minimum payments expected to be received under non-cancellable sub-leases was £2.070m (31 March 2011 – £2.472m)

33.2. Authority as a lessee – operating leases

The Council leases vehicles, equipment and some buildings under operating lease for its operational purposes. The future minimum lease payments due in future years under non-cancellable leases are:

Operating leases - Authority as a lessee	1 Apr 2010 £000	31 Mar 2011 £000	31 Mar 2012 £000
Not later than one year	1,858	760	1,145
Later than one year and not later than five years	3,849	1,138	1,890
Later than five years	4,062	4,250	4,476
Total	**9,769**	**6,148**	**7,511**

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these assets was:

	2010/11 £000	2011/12 £000
Minimum lease payments	1,619	1,459
Total	**1,619**	**1,459**

33.3. Authority as a lessor – operating leases

The Council is a lessor of a number of properties, including city centre shops and several retail and industrial units. The future minimum lease payments receivable under non-cancellable leases are:

Operating Leases	1 Apr 2010 £000	31 Mar 2011 £000	31 Mar 2012 £000
Not later than one year	3,780	2,288	4,532
Later than one year and not later than five years	11,784	7,872	14,320
Later than five years	158,672	110,471	347,552
Total	**174,236**	**120,630**	**366,404**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

34. Private Finance Initiatives and Similar Contracts

The Council entered a PFI agreement with Pyramid Consortium on 27 February 2007 to provide new school facilities at Whitleigh and the amalgamation of primaries at Bull Point and Barne Barton. Payments under the contract became effective in February 2008 when the first of the schools, the new primary school at Riverside, was opened. The Whitleigh school campus, Woodview, opened in phases during 2008/09 with the final phase, and thus full campus, being opened in March 2009. The contract runs for a 25 year period. The contract specifies the minimum standards for the services to be provided by the contractor, with deductions from the fee payable if the facilities are unavailable or performance is below minimum standards. The contractor took on an obligation to build the schools and maintain them in a minimum acceptable condition and to procure and maintain the equipment needed to operate the school. The buildings and any equipment installed within them will be transferred to the Council for nil consideration at the end of the contract.

The assets are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance note 12 page 51.

The Authority makes an agreed payment each year, part of which is subject to an annual inflation increase, and can be reduced if the contractor fails to meet availability and performance standards in any one year but which is otherwise fixed. A total payment of £5.535m was made in 2011/12. Payments remaining to be made under the PFI contract at 31 March 2012, excluding any estimation of inflation and availability / performance deductions are as follows:

PFI Outstanding Liabilities	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Total Payments to Operator in 2011/12	**2,026**	**736**	**2,773**	**5,535**
Payable in 2012/13	1,697	770	2,709	5,176
Payable within two to five years	7,740	3,374	10,138	21,252
Payable within six to ten years	11,914	5,119	10,876	27,909
Payable within eleven to fifteen years	14,129	7,156	8,299	29,584
Payable within sixteen to twenty years	16,181	10,596	4,703	31,480
Payable within twenty one to twenty five years	4,913	4,002	393	9,308
Total	**56,574**	**31,017**	**37,118**	**124,709**

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	2010/11 £000	2011/12 £000
Balance outstanding 1 April	33,156	31,753
Payments during the year	(703)	(736)
Capital Contribution	(700)	0
Balance Outstanding 31 March	**31,753**	**31,017**

The Council has secured PFI credits to the value of £49m, to which interest is added resulting in total Government support of £101.888m over the contract period, and this together with an annual contribution from the Council of approximately £0.600m will be used to meet the running costs of the contract, including the loan repayments.

The PFI credits will be paid to the Council at a rate of £3.982m per annum. Spend to be incurred during the contract will vary from year to year as lifecycle works are undertaken. No lifecycle works were carried out in 2011/12. The Council transfers any surplus resources for the PFI scheme to a PFI reserve to match commitments that will be incurred in later years.

35. Pensions

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

35.1. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers Pension Scheme
Teachers employed by the Authority are members of the Teachers' Pension scheme administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the authority 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 2011/12, Plymouth City Council paid £7.104m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.57% of pensionable pay. The figures for 2010/11 were £11.087m and 15.74%. There were no contributions remaining payable at the year-end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 35.2 below.

35.2. Defined Benefit Pension Schemes

Participation in pension schemes
As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

Local Government Pension Scheme (LGPS)
Plymouth City Council and Tamar Bridge & Torpoint Ferry Joint Committee participate in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme based on final pensionable salary.

The Joint Committee Scheme is administered by Cornwall Council and so separate notes have been included to represent Plymouth City Council's 50 % interest.

Pension Information for Plymouth City Council Scheme (PCC)

Transactions relating to post employment benefits
In 2011/12 the Council paid an employer's contribution of £18.061m (2010/11: £19.506m), representing 19.4% of employees' pensionable pay into Devon County Council's Pension Fund, which provides members with defined benefits, related to pay and service. Employees are also required to contribute to the pension scheme and the contribution rate is determined by annual salary level. In 2011/12 the minimum contribution level was 5.5% of salary, and the maximum level was 7.5%.

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 Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	Restated 2010/11 £000	2011/12 £000
Cost of Services		
Current Service Cost	23,739	18,393
Past Service Cost / (Gain)	(70,177)	12
Settlements and Curtailments	(21,793)	(7,595)
Financing and Investment Income and Expenditure		
Interest Cost	41,169	36,172
Expected Return on Assets in Scheme	(26,595)	(28,879)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(53,657)**	**18,103**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains & losses	(154,807)	118,045
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(208,464)**	**136,148**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(77,200)	(4,407)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable in scheme	19,671	18,731
Retirement benefits payable to pensioners	3,249	3,306
Adjustment re net increase / decrease pre LGR pension liability	623	473
Total	**(53,657)**	**18,103**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £133.112m.

The Council is responsible for funding all discretionary increases in pensions (e.g. added years) awarded to staff retiring early and monthly payments are made to Devon County Council for these additional costs. Payments in 2011/12 relating to these costs were £1.064m (2010/11: £1.054m).

Plymouth became a Unitary Authority from 1 April 1998, assuming responsibility for all local government services in Plymouth, including those previously provided by Devon County Council. Under the transfer arrangements, Plymouth and Torbay pay a proportion of Devon's annual pension costs in respect of discretionary pension payments agreed by Devon in earlier years (i.e. before reorganisation). Plymouth's payment to Devon in 2011/12 towards this liability was £1.316m (2010/11: £1.316m).

35.3. Assets and liabilities in relation to post employment benefits (PCC)

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	2010/11 £000	2011/12 £000
Opening balance at 1st April	(832,590)	(674,870)
Current Service Cost	(23,739)	(18,393)
Interest Cost	(41,169)	(36,172)
Contributions by scheme participants	(6,644)	(6,094)
Actuarial gains / (losses) on liabilities	131,477	(100,441)
Benefits paid	20,027	23,996
Past Service Cost / Gain	70,177	(12)
Entity combinations		
Curtailments	(257)	(1,043)
Settlements	5,915	17,963
Unfunded pension payments	1,933	1,990
Closing present value of liabilities	**(674,870)**	**(793,076)**

Reconciliation of fair value of the scheme (plan) assets:

Reconciliation of fair value of the scheme (plan) assets	2010/11 £000	2011/12 £000
Opening balance at 1st April	384,870	455,557
Expected rate of return	26,595	28,879
Actuarial gains & losses	21,669	(17,604)
Employer contributions	19,671	18,731
Contributions by scheme participants	6,644	6,094
Benefits paid	(20,027)	(23,996)
Entity combinations		
Settlements	16,135	(9,325)
Closing balance at 31 March	**455,557**	**458,336**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £17.604m (2010/11: £21.669m).

35.4. Scheme History (PCC)

Scheme History	31 Mar 2008	31 Mar 2009	31 Mar 2010	31 Mar 2011	31 Mar 2012
	£m	£m	£m	£m	£m
Present value of liabilities:					
Local Government Pension Scheme	(560.69)	(614.71)	(797.11)	(641.47)	(757.78)
Discretionary Benefits	(31.88)	(36.69)	(37.14)	(33.40)	(35.30)
Fair Value of Assets in the Local Government Pension Scheme					
Local Government Pension Scheme	395.21	320.87	384.87	455.56	458.34
Discretionary Benefits					
Net pension asset / (liability)	**(197.36)**	**(330.53)**	**(449.38)**	**(219.31)**	**(334.74)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £331.84m is shown as a negative balance and therefore has an impact on the net worth of the authority 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 2013 is £15.527m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2014 are £1.089m.

35.5. Basis for Estimating Assets and Liabilities (PCC)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

Long-term expected rate of return on assets in the scheme:	2010/11	2011/12
	%	%
Equity investments	7.4	6.3
Gilts	4.4	3.3
Other Bonds	5.5	4.6
Property	5.4	4.3
Cash	3.0	3.0
Absolute Return Funds	5.0	4.7
Mortality assumptions@		
Longevity at 65 for current pensioners		
Men	20.3	20.5
Women	24.4	24.5
Longevity at 65 for future pensioners		
Men	22.4	22.5
Women	26.3	26.4
Rate of inflation	3.5	3.3
Rate of increase in salaries	5.0	4.7
Rate of increase in pensions	2.7	2.5
Rate for discounting scheme liabilities	5.5	4.6
Take-up of option to convert annual pension into retirement lump sum	50%	50%

35.6. Total Assets (PCC)

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Categories by proportion of the total assets held	1 Apr 2010	31 Mar 2011	31 Mar 2012
	%	%	%
Equities	69	70	69
Gilts	17	17	18
Property	6	5	6
Cash	7	7	6
Absolute Return Funds	1	1	1

35.7. History of Experience Gains and Losses (PCC)

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

Actuarial Gains	2007/08		2008/09		2009/10		restated 2010/11		2011/12	
	£m	%	£m	%	£m	%	£m	%	£m	%
Differences between the expected and actual return on assets	(30.03)	(7.60)	(108.08)	(33.68)	87.45	22.72	21.67	4.30	(17.60)	3.80
Experience gains and losses on liabilities	(5.27)	(0.90)	(2.78)	(0.40)	4.92	0.60	11.67	1.70	0.00	0.00
Total	**(35.30)**	**(8.50)**	**(110.86)**	**(34.08)**	**92.37**	**23.32**	**33.34**	**6.00**	**(17.60)**	**7.80**

The Council is required to show the gains or losses relating to the Pension Fund within its accounts. The actuarial assumptions used to calculate the reserve account balance are outlined in note 22.7 page 74. Liability values do not depend on market returns but yields from corporate bonds and inflation expectations. The key parameter is the real corporate bond yield i.e. the yield from corporate bonds less the assumption about future inflation.

Pension information for Tamar Bridge & Torpoint Ferry Joint Committee

35.8. Transactions in the Comprehensive Income and Expenditure Statement and Movement in Reserve Statement

Comprehensive Income and Expenditure Statement	2010/11 £000	2011/12 £000
Cost of Services		
Current Service Cost	255	241
Past Service Cost / (Gain)	(611)	0
Financing and Investment Income and Expenditure		
Interest Cost	397	337
Expected Return on Assets in Scheme	(333)	(355)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(292)**	**222**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains & losses	(1,491)	524
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(1,783)**	**746**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(532)	(35)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable in scheme	240	257
Total	**(292)**	**222**

The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is £2.234m.

35.9. Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	2010/11 £000	2011/12 £000
Opening balance at 1st April	(7,652)	(6,093)
Current Service Cost	(255)	(241)
Interest Cost	(397)	(337)
Contributions by scheme participants	(74)	(81)
Actuarial gains / (losses) on liabilities	1,429	(275)
Benefits paid	245	263
Past Service Cost / Gain	611	0
Closing present value of liabilities	**(6,093)**	**(6,763)**

Reconciliation of fair value of the scheme (plan) assets	2010/11 £000	2011/12 £000
Opening balance at 1st April	4,723	5,187
Expected rate of return	333	355
Actuarial gains & losses	62	(249)
Employer contributions	240	257
Contributions by scheme participants	74	81
Benefits paid	(245)	(263)
Closing balance at 31 March	**5,187**	**5,368**

The actual return on scheme assets in the year was £0.108m (2010/11: £0.465m).

The liabilities show the underlying commitments that the Joint Committee has to pay in the long run to pay post-employment (retirement) benefits. The total liability of £1.394m has an impact on the net worth of the authority 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 2013 is £0.242m.

35.10. Scheme History

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Cornwall Council pension scheme liabilities have been assessed by Hymans Robertson and Company, an independent firm of actuaries, estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

Scheme History	31 Mar 2008	31 Mar 2009	31 Mar 2010	31 Mar 2011	31 Mar 2012
	£m	£m	£m	£m	£m
Present value of liabilities:					
Tamar Bridge & Torpoint Ferry Joint Committee	(4.76)	(4.71)	(7.65)	(6.09)	(6.76)
Fair Value of Assets in the Local Government Pension Scheme					
Tamar Bridge & Torpoint Ferry Joint Committee	4.62	3.59	4.72	5.19	5.37
Net pension asset / (liability)	(0.14)	(1.12)	(2.93)	(0.90)	(1.39)

35.11. Basis for Estimating Assets and Liabilities

Long-term expected rate of return on assets in the scheme:	2010/11	2011/12
	%	%
Equity investments	7.5	6.2
Gilts		
Other Bonds	4.9	4.0
Property	5.5	4.4
Cash	4.6	3.5
Absolute Return Funds		
Mortality assumptions@		
Longevity at 65 for current pensioners		
Men	21.3	21.3
Women	23.4	23.4
Longevity at 65 for future pensioners		
Men	23.2	23.2
Women	25.6	25.6
Rate of inflation	2.8	3.3
Rate of increase in salaries	5.1	4.8
Rate of increase in pensions	2.8	2.5
Rate for discounting scheme liabilities	5.5	4.8

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

35.12. Total Assets

Categories by proportion of the total assets held	31 Mar 2011	31 Mar 2012
	%	%
Equities	72	68
Bonds	14	16
Property	7	7
Cash	7	9
Total	**100**	**100**

35.13. History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

Actuarial Gains	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between the expected and actual return on assets	(8.53)	(39.25)	16.79	1.20	(4.63)
Experience gains and losses on liabilities	(1.56)	(0.39)	(0.01)	(3.00)	0.87
Total	**(10.09)**	**(39.64)**	**16.78**	**(1.80)**	**(3.76)**

36. Contingent Liabilities / Assets

36.1. Contingent Liabilities

The Council has the following contingent liabilities to report.

1. PLUSS Organisation Ltd

PLUSS was set up as a company on 1 August 2005.

The three originating Councils, Plymouth, Torbay and Devon are technically 'members' of the company and agreed to provide a range of support to the company. Each agreed to provide a loan to PLUSS to provide working capital for the Company on its formation, they were joined by Somerset at a later date. Plymouth provided £0.235m. The loan was to be deferred for the first five years and would fall due to be repaid over the following ten years, commencing 31 March 2011. The commencement of the repayment of the loan has started in 2011/12.

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

The Council has also guaranteed any necessary payments to the pension fund for transferred employees, which would become due in the event of PLUSS becoming insolvent.

2. Single Status Equal Pay Claims

The Council has received a number of equal pay claims. The claims are yet to be heard in court, so the actual value of claims cannot be assessed with any certainty. In addition, future claims are unknown. A provision has been set up in the accounts based on an estimated value for claims received up to 31 March 2008 funded from the approved Capitalisation Direction for 2007/08. An additional provision has been set up for claims submitted after 1 April 2008. The additional provision has not been funded but reversed out of the accounts using a statutory override issued in 2009/10. The Council is not required to make specific budget provision for these costs until they are actually paid. A sum of £0.350m was set aside in the accounts during 2009/10 to meet claims arising since 1 April 2008, and has been further increased in 2011/12. Case law is still evolving in this area and successful claims at other authorities have highlighted that awards can be significant and have a significant impact on Councils' budgets. The Council has not yet been informed of any hearing dates from the Employment Tribunal.

3. Civic Centre

On 21 June 2007 the City Council was informed that the Civic Centre had been Grade II listed and since that time Council Officers have been working on solutions to determine the future for the building and site. Expressions of interest from developers have now been received and a number of development options are being considered in the context of the Council's overall Accommodation Strategy and current property market conditions.

If the property is not sold then the Council will consider alternative options for the property. The future of the building therefore still remains subject to uncertainty and as such the Council continues to include the Civic Centre on its strategic risk register.

As on-going work the Council continues to inspect, repair and maintain the premises taking appropriate action, given the restrictions of the listing, to mitigate any health and safety risks. The Council has an accommodation reserve account which will be used to meet the escalating costs of maintenance and repair in the short term.

4. Careers South West (formerly Connexions)

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

However, in setting up the company there is an expectation that the Councils will guarantee to meet the costs of any risks resulting from pension liabilities of staff should the company be wound up. Based on the latest actuarial returns there is a deficit on the fund at 31 March 2012, and therefore there could be a liability to the Council in the future. The status of the fund will vary from year to year and will be updated by the Actuary.

The Four Councils and the Board are considering the current position of the organisation to understand the full nature of what events might trigger this liability.

5. Plymouth Community Homes

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

- an environmental warranty whereby the Council has agreed to warrant that no dangerous substance is present in the property that has transferred or that no part of the Property has been or could lawfully be designated as contaminated land;

- an asbestos warranty where the Council has agreed to reimburse Plymouth Community Homes the costs of asbestos containment or removal should the cost of such works exceed £10m in the first 12.5 years.

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

6. Contaminated Land

The Council has a statutory duty to review all land within its district including land it owns or occupies to identify whether it may have been contaminated by past use and carry out a risk assessment if previous potentially contaminative land use is identified. Initial risk assessment usually involves an initial theoretical data gathering exercise (involving collection and interpretation of historical/environmental/local data). Following this exercise, and subsequent intrusive investigation, if actual unacceptable risk to humans and or the environment is demonstrated, land may be classified as contaminated and remediation required.

The Council is also responsible for clean up/remediation of any land that it owns/occupies or where it may be the original polluter. The Council may also be called upon to fund clean up/remediation of 'orphan' sites whose owners cannot be traced and/or where the original polluter cannot be found. Potential cost might further arise where land is sold for development and contamination is subsequently discovered during development or other site works.

Risk assessment alone can cost many thousands of pounds depending on site size and historic use profile. There is no specific Council budget provision for these works and a national government funding source that has been successfully accessed in the past may not be available in the near future. There is also no specific Council budget provision for site clean up/remediation, despite this being a statutory requirement under certain circumstances.

The Council has undertaken a programme of investigative works (and finalising some reinstatement works at Lipson Vale) during 2011/12 and is planning further work in 202/13. This will help inform the size of the potential liability.

In addition to the above ongoing action, the Council is currently working in partnership with the Environment Agency to research the possibility of landfill gas capture on some of its top 'priority' sites. There is some potential for gas capture to be combined with remediation works and the possibility of external funding being accessed.

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

7. Treasury Management – Potential Investment Losses

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

The Council has residual investments with institutions no longer on the approved counter party list, although these have reduced significantly over the year. Council Officers will continue to manage risk out by the most appropriate methods in conjunction with our Treasury Advisors.

In respect of the £13m invested in Icelandic banks, the Council made an impairment adjustment of £5.9m in its 2009/10 accounts, £1.284m of this has been reversed during 2011/12 following actual repayments received to date. The actual amount that may be recovered remains subject to much uncertainty and the final outcome on the Icelandic banks will not be known for some years to come as decisions are now subject to mitigation through the Icelandic Courts. However the Council continues to robustly pursue recovery of its monies.

8. Eastern Corridor Integrated Transport Scheme

The Council is facing a potential claim from Amey (Local Government) Ltd under the Highway Services Contract over delays incurred on the Gdynia Way Construction Works. Amey have claimed that the delays have arisen due to the incorrect design of some elements of the works due to inaccurate surveys supplied by the Council.

Amey are claiming that the costs arising from the alleged inaccurate survey are the liability of the Council under the terms of the Highway Services Contract. The Council is arguing that Amey has not yet proved the survey was inaccurate, and, that Amey is out of time under the contractual provisions for making the claim.

If the Council is found liable for the survey works it would seek to recover any sums it has to pay to Amey from the Consultant employed to carry out the work. The Council has engaged Leading Counsel and expert witnesses to progress the situation, and has presented findings to the original consultant.

The Council is in correspondence with Amey over the out of time contractual argument and Amey's response to the contractual arguments raised is awaited.

9. Redundancy Payments

The Council continues its programme of down sizing and this will result in some redundancies. At this stage it is not possible to quantify exact numbers, however where plans are finalised provision has been made within the accounts. At 31 March 2012, 32 employees had been issued with a redundancy notice and had been placed within the redeployment pool. These relate to the changes on the provision of Social Care services and restructuring within other services. The Council has recognised a provision for termination benefits of £0.068m, plus pension strain costs of £0.039m in the accounts for 2011/12.

10. Personal Search Fees

There is a possible future liability in relation to prospective claims from personal search companies about personal search fees (which is a national issue affecting many Local Authorities). The size of the claim is not yet known but could be significant. The prospect of a claim is looking increasingly likely and this may be settled in the current or next financial year.

36.2. Contingent Assets

The Council has the following contingent assets to report:

1. VAT 'Fleming' claims

The Council has received in 2011/12 a net £1.6m in respect of previous overpaid VAT for the final outstanding 'Fleming' claim, this was agreed at Council on 27 February to be transferred to the redundancy reserve

2. Overpaid Landfill Tax

A claim was submitted in March 2011 to HMRC for the reclaim of overpaid Landfill Tax covering the period between January 2007 and March 2008 at Chelson Meadow where it has been established that Landfill had been used for engineering purposes and is therefore exempt from landfill tax. HMRC issued a brief on the 18th May 2012 which has clarified their position and potentially resolves any disputes outstanding as they are closing the loophole from 2009 onwards, leaving no objections to claims for 2006 to 2009. This matter is hoped to now be resolved during 2012/13.

3. Plymouth Airport

Plymouth City Airport is let on 150 year lease from 2004. The Council's Lessee served notice of its intention to close the airport in December 2010 because of continuing trading losses. On 23 August 2011 the Council's Cabinet accepted the notice of non-viability from the Lessee following receipt of three independent reviews of the airport business and options for its financial viability. The airport closed for business in December 2011. The Council's freehold and the Lessee's leasehold interest are due to be merged and the former Lessee will then be responsible for obtaining planning permission and marketing the site. Any eventual net land disposals proceeds will be divided between the Council and the former Lessee 75%/25%. However the timing and amount of any such receipts is uncertain and is subject to a review of strategic planning policies applicable to the site

37. Trust Funds and Special Balances

The City Council holds 18 Trust Funds and administers 4 other special balances. The funds do not represent assets of the City Council. Although most of the accounting records of these funds are held within the City Council's financial accounting system, they do not form any part of the Council's Balance Sheet. A summary of the income and expenditure, assets and liabilities is shown below:

Trust Funds and Special Balances	2011/12 Income £000	2011/12 Expenditure £000	31 Mar 2012 Assets £000	31 Mar 2012 Liabilities £000
Brock Trust	(15)	0	812	0
Other Trusts & Special Balances	(33)	23	523	0
Total	**(48)**	**23**	**1,335**	**0**

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2012

This Account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

2010/11 £000		Note	2011/12 £000	2011/12 £000
	Income			
(93,510)	Council Tax Payers:	1		(93,624)
	Transfer from General Fund - Council Tax			
(20,989)	Benefits			(21,522)
(75,949)	Income Collectable from Business Ratepayers	2		(80,739)
(190,448)				**(195,885)**
	Expenditure			
	Precepts and Demands:	3		
95,714	Plymouth City Council		95,922	
12,060	Devon & Cornwall Police Authority		12,068	
5,527	Devon & Somerset Fire Authority		5,531	
113,301				**113,521**
	Non-Domestic Rates:			
75,638	Payment to National Pool		80,428	
311	Cost of collection allowance		311	
75,949				**80,739**
1,177	Provision for non payment of Council Tax	4		666
107	Collection Fund (Deficit recovered) / Surplus paid out in year			(28)
86	**(Surplus)/Deficit for the year**			**(987)**
276	**(Surplus)/Deficit as at 1 April**			**362**
362	**(Surplus)/Deficit as at 31 March**	5		**(625)**

NOTES TO THE COLLECTION FUND

1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based on an estimated 1 April 1991 value for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Devon & Cornwall Police Authority, Devon and Somerset Fire Authority and the City Council for the forthcoming year and dividing this by the Council Tax base - the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and estimated collection rates: 77,066 in 2011/12 (76,899 in 2010/11).

This basic amount of Council Tax for a Band D property (£1,473.04 for 2011/12) 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 Rate	Adjusted Band D Equivalents
A	46,395	37,323	24,873	98.50%	24,500
B	30,600	25,801	20,067	98.50%	19,766
C	21,631	18,906	16,805	98.50%	16,553
D	8,823	7,742	7,742	98.50%	7,626
E	4,476	4,019	4,912	98.50%	4,838
F	1,665	1,518	2,193	98.50%	2,160
G	560	463	771	98.50%	759
H	58	15	31	98.50%	31
	114,208	95,787	77,394		76,233
Adjustment for MOD Properties			833		833
Tax Base Totals			**78,227**		**77,066**

The Council Tax Base was calculated at the time the 2011/12 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 £113.521m (77,066 x £1,473.04). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £115.146m made up of £21.522m from Council Tax Benefits and £93.624m from Council Tax Payers.

2. Income Collectable from Business Ratepayers

National Non-Domestic Rates (NNDR) is organised on a national basis. The Government specifies an annual multiplier, which was 43.3p in 2011/12 (41.4p in 2010/11) and subject to the effects of transitionary arrangements, local businesses pay rates calculated by multiplying their rateable value by the specified amount. A lower amount of 42.6p (40.7p in 2010/11) is applied to businesses with rateable values less than or equal to £17,999. The City Council collects rates due from the ratepayers in its area as an agent for the Government, paying the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to a local authority's General Fund as part of the settlement grant based on a fixed amount per head of population.

The NNDR income due, after reliefs and provisions, of £80.739m for 2011/12 (£75.949m in 2010/11) was based on a rateable value for the City Council's area of £226.949m for the year (£226.852m for 2010/11). The income is calculated as follows:

NNDR Income	2010/11 £000	2011/12 £000
Gross Debit (£214,617,851 x 43.3p for 2011/12)	89,200	92,930
Gross Debit (£12,331,002 x 42.6p for 2011/12)	4,637	5,253
Reliefs & Adjustments	(17,195)	(16,435)
Provision for Bad Debts	(693)	(1,009)
Income Collectable from Business Ratepayers	**75,949**	**80,739**

3. Precepts and Demands

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

4. Provisions for Non Payment of Council Tax

Contributions are made from the Collection Fund Income and Expenditure Account to an Allowance for Non-Collectability of Debt (Bad Debt Provision) Account. During 2011/12, £0.666m (£1.177m in 2010/11) was contributed to the Account and £0.635m (£0.657m in 2010/11) of irrecoverable debt was written off. Costs raised for debt recovery are also included in the Council Tax Allowance for Non-Collectability of Debt Account, with any costs paid in the year transferred to the General Fund to offset the cost of collection. The movement in the provision is as follows:

Movement in Council Tax Allowance for Non-Collectability of Debt Account	2010/11 £000	2011/12 £000
Balance brought forward	6,948	7,297
Contributions in year	1,938	1,380
Write Offs	(657)	(635)
Paid costs transferred to General Fund (GF)	**(932)**	**(607)**
Allowance for Non-Collectability of Debts @ 31st March	7,297	7,435
Costs included in provision made in year (met from GF)	761	714
Net provision to the Allowance for Non-Collectability of Debt Account for Council Tax Arrears made in year	**1,177**	**666**

The Bad Debt Provision is required to be apportioned between the 3 authorities in proportion to their precept/demand on the Collection Fund. The Police and Fire authority's proportion of the allowance for non-collectability for debt is £1.175m leaving a balance of £6.260m to cover Plymouth City Council's proportion of Council Tax arrears. The Police and Fire elements are shown in the Council's Balance Sheet as a debtor.

The total Collection Fund allowance for non-collectability of debt is £6.886m as shown in Note 18.3 on page 66. This includes an allowance for non-collectability of Community Charge of £0.627m.

5. Distribution of Collection Fund Surpluses and Deficits

The net accumulated surplus on the Collection Fund at 31 March 2012 amounts to £0.625 with £0.624m relating to Council Tax collection and £0.001m relating to Community Charge. This net surplus will be repaid to the City Council, Devon & Cornwall Police Authority and Devon & Somerset Fire Authority in 2012/13 and 2013/14 in proportion to each authority's demand/precept on the Collection Fund. A surplus of £0.071m had been forecast as part of the 2012/13 budget and Plymouth City Council's share of this, £0.060m, was taken into account when setting Council Tax levels for 2012/13. The excess surplus will be reviewed as part of setting the budget for 2013/14.

The £0.625m surplus is apportioned as follows:

	£000
Plymouth City Council	527
Devon and Cornwall Police Authority	67
Devon and Somerset Fire Authority	31
Net Surplus	**625**

The surplus attributable to the Police and Fire authorities is included within the Council's Balance Sheet as a net creditor. The surplus attributable to Plymouth City Council has been treated as a credit on the Collection Fund Adjustment Account.

GLOSSARY OF FINANCIAL TERMS

Accounting Policies
Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or Balance Sheet it is to be presented. Accounting policies do not include estimation techniques.

Accruals
The concept that income and expenditure is recognised as it is earned or incurred, not as money is received or paid.

Actuarial Gains and Losses
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

Actuary
An expert on long term pension scheme assets and liabilities. Actuaries make recommendations every 3 years regarding the rate of employer contributions due to the LG pension scheme.

Amortisation
The writing down of a balance in the accounts over a specified period to signify the 'using up' of the benefit to the Authority of the expenditure or income. For example assets might be written down over the number of years it is intended to use the asset.

Amortised Cost
Amortised cost (in relation to Financial Instruments) is the carrying amount on initial recognition plus the interest taken to Income and Expenditure less cash paid or received for both interest and principal.

Assets under Construction
The Capital Programme is a rolling programme, which means that all projects started in the financial year are not necessarily completed within the financial year. The Authority does not recognise an asset as a fixed asset until financial completion. Until then these are classified separately as Assets under Construction.

Associate
For the purpose of the group accounts, an associate is an organisation in which the Council has an interest by way of an investment and is able to exercise significant influence, but not total control, usually determined by voting rights held by the Council on relevant Boards. A group will be classified as an associate if voting rights are less than 50% but more than 20%.

Balance Sheet
The accounting statement, which sets out the Authority's total net assets and how they were financed.

Business Improvement District (BID)
The Plymouth Business Improvement District (BID) is a precisely defined geographical area of Plymouth City Centre. Businesses in this BID area have voted to invest collectively in local improvements to enhance their commercial environment. The purpose of the BID is to provide new or expanded works, services and environmental enhancements, funded by a BID levy charge which is payable by all business rate payers in the BID area, collected by Plymouth City Council and is ring-fenced.

Budget
A statement of the Authority's plans for net revenue expenditure over a specified time period.

Capital Adjustment Account
This account contains the amounts to be set aside to repay debt and the amount of capital expenditure financed from capital receipts and revenue. It also contains the difference between the amounts provided for depreciation, the amount of minimum revenue provision, amounts of Government grants amortised and revaluations prior to 1 April 2007.

Capital Charge
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure
Expenditure on the acquisition of a fixed asset or expenditure, that adds to and not merely maintains the value of an existing fixed asset. The benefit to the Authority of such expenditure is generally greater than one year.

Capital Programme
The Council's plan of capital projects and spending over future years. Included in this category are the purchase of land and buildings, the erection of new buildings and works, design fees and the acquisition of vehicles, plant and major items of equipment, as well as support to other organisations/residents for works of a capital nature.

Capital Receipts
Income from the sale of land and buildings or other assets and loan repayments. Capital Receipts can only be used to finance other capital expenditure or to repay outstanding debt on assets financed from borrowing. In addition, a proportion of HRA capital receipts must be paid over to Central Government for redistribution via a 'pooling' arrangement.

Capitalisation Direction
An Authority can apply to the Secretary of State for a Capitalisation Direction, which is an approval to allow certain revenue items to be funded from capital resources, usually borrowing or capital receipts.

Cash Flow Statement
Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.

CIPFA
The Chartered Institute of Public Finance and Accountancy (CIPFA) is the leading accountancy body for the public sector. The Statement of Accounts is prepared in accordance with the codes of practice published by CIPFA.

Collection Fund
This is a separate statutory fund, which details the transactions in relation to national Non-Domestic Rates (NNDR) and the Council Tax, and the distribution to preceptors and the General Fund. It is consolidated with the other accounts in the Consolidated Balance Sheet.

Community Assets
Assets that the local authority intends to hold in perpetuity, that have no determinable and useful life (where useful life is defined as a period of time over which the Authority benefits from the use of the asset) and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Componentisation
An asset may consist of several different and significant physical components e.g. separating the operating fixtures from the actual building itself. If these components have substantially different lives then each component is depreciated separately over its individual useful life.

Consistency
The concept that the accounting treatment of like items within an accounting period and from one period to the next one is the same.

Contingent Asset
A contingent asset is a possible asset arising from a past event from which the Council may benefit, and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly with the Authority's control.

Contingent Liability
A contingent liability is either a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's

control, or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core (CDC)
The Corporate and Democratic Core represents the cost of the authority's Corporate Management (CM) and Democratic Representation and Management (DRM).

CM – those activities and costs that provide the infrastructure that allows services to be provided, whether by the authority or not and the information required for public accountability.

DRM - This includes all aspects of members' activities in that capacity, including corporate, programme and service policy making and more general activities relating to governance and the representation of local interests.

Council Tax
A local taxation based on historic property valuations resulting in various banded charges chargeable on a property basis, collected via the local authority and used in conjunction with other revenue income streams (Revenue Support Grant) to fund local revenue expenditure.

Creditors
Amounts owed by the Council for goods and services provided for which payment has not been made at the end of the financial year.

Current Assets and Liabilities
Current assets are amounts owed to the Council and due for payment within 12 months, or items that can readily be converted into cash. Current liabilities are amounts that the Council owes to others and are due to be paid within 12 months.

Current Service Cost (Pensions)
The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Debtors
Amounts owed to the Council at 31 March where services have been delivered but payment has not been received.

Dedicated Schools Grant (DSG)
A ring fenced grant given to Local Authorities to meet expenditure directly incurred by schools and or held centrally to meet schools related expenditure.

Deferred Liabilities
Money owed by the Council which by arrangement are payable beyond the next year at some point in the future or paid off by annual sum over a period of time. Most deferred liabilities relate to PFI or lease arrangements.

De-Minimus Capital Expenditure
This is the term given to items of capital expenditure below a certain value that may be properly capitalised by local authorities (i.e. meets the statutory definition of Capital Expenditure) but where the authority has chosen not to add to its asset register. De-minimus capital expenditure is charged to the relevant revenue account in the year it is incurred.

Depreciation
The measure of cost or revalued amount of an asset assumed to have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of the asset whether arising from use, passing of time or obsolescence through either changes in technology, or demand for the goods and services produced by the asset.

Derecognition
The term used for the removal of an asset or liability from the Balance Sheet.

Direct Revenue Financing
The amount of capital expenditure financed directly from revenue, rather than loans or other capital funds.

Effective Interest Rate (financial instruments)
The rate of interest that is necessary to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument.

Exceptional Items
Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately, by virtue of their size or incidence, to give fair presentation of the accounts.

Fair value (financial instruments)
The amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Fair value (Fixed Assets)
Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction. Depending on the asset, this could be interpreted to mean existing use value (EUV) or market value.

Financial instrument
A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The definition covers treasury management activity, including borrowing and lending of money and the making of investments. It also covers things such as receivables (debtors), payables (creditors) and financial guarantees.

Financial instrument Adjustment Account
The reserve records the accumulated difference between the financing costs included in the Comprehensive income and Expenditure Account and the accumulated financing cost required in accordance with regulations to be charged to the General Fund Balance.

General Fund
The main revenue fund from which day-to-day spending on services is met.

General Fund Working Balances
The accumulated surplus of income over expenditure. The General Fund working Balance can be used to support future years budgets and thereby reduce future Council Tax increases.

Government Grants
Sums of money paid by Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority. Government grants fall into two categories; general (where the authority has discretion over their use), or specific (where they must be used for certain items of expenditure under the conditions of the grant).

Heritage Assets
A Heritage Asset is one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained by the Council principally for its contribution to knowledge and culture. Heritage Assets can be either tangible or intangible in nature.

Housing Revenue Account (HRA)
This is a statutory account maintained separately from General Fund services. It includes all revenue expenditure and income relating to the provision, maintenance and administration of Council Housing and associated areas. The Council closed the HRA on 31 March 2011 following the transfer of its housing stock to Plymouth Community Homes.

Impairment
This is the term used to describe a reduction in the value of a fixed asset mainly due to a significant decline in its market value or evidence of obsolescence or physical damage.

Impairment Review
A review undertaken annually by the Council to assess whether there has been any impairment to its asset or asset value in the period.

Infrastructure Assets
Fixed assets that by their very nature cannot be sold and therefore expenditure can only be recoverable by continued use of the asset created, e.g. coastal defences, highways and footpaths.

Intangible Assets
Non-financial assets which do not have physical substance but are identified and controlled by the Council through legal rights e.g. IT software.

Inventories (stocks and work in progress)
Comprise the following categories, goods or other assets purchased for resale, consumable stores, raw materials and components purchased for incorporation into products for sale, products and services in intermediate stages of completion, long term contract balances and finished goods.

Investments
A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments which do not meet the above criteria should be classed as current assets.

Joint Ventures
For the purpose of group accounts, a joint venture is an organisation in which the Council has an interest and is able to exercise significant influence but only with the unanimous agreement of the other parties with an interest in the organisation.

Landfill Allowance Trading Scheme (LATS)
The Landfill Allowance Trading Scheme began on 1 April 2005, and is a system of tradable permits that has been introduced in England to reduce the amount of Biodegradable Municipal Waste (BMW) sent to landfill. Each Waste Disposal Authority is allocated permits that allow it to landfill BMW up to the number of permits it holds. Authorities can purchase more permits or pay a fine in order to landfill BMW above their permits, or can sell excess permits to other Waste Disposal Authorities.

Lease
A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not be eventually transferred to the lessee. An operating lease is a lease other than a finance lease.

Lenders Option Borrowers Option Loans (LOBOs)
Lenders Option Borrowers Option Loans (LOBOs) are loans where, after an initial period of fixed interest, and at agreed intervals thereafter, the lender has the option to increase the rate. The borrower then has the option to continue at the higher rate or repay the loan incurring no penalty.

Loans Outstanding
Amounts borrowed to finance capital expenditure which is yet to be repaid.

Local Government Reorganisation (LGR)
The 1997/98 change of local government boundaries resulted in the creation of Unitary Authorities. Plymouth City Council became a unitary authority on 1 April 1998, taking over services within the city, which were previously administered by Devon County Council (the two main services being Education and Social Services). There are some ongoing transactions between the two authorities, for Plymouth's share of liabilities pre-dating the 1 April 1998, including enhanced pension payments.

Market Value
A method of valuing a fixed asset in relation to current market conditions.

Minimum Revenue Provision (MRP)
Represents the statutory minimum amount that must be charged to a revenue account in each financial year to repay external borrowings.

National Non-Domestic Rates (NNDR)
Local businesses are subject to a business tax, referred to as the National Non-Domestic Rate. Poundage is set annually by the Government, collected by local authorities and paid into a national pool. The proceeds are then redistributed by Central Government as a grant to authorities in accordance with a government formula.

Net Book Value
The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value
The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non Current Assets
Expenditure that yields benefits for a period of more than one year.

Non Distributed Costs (NDC)
This is a service heading within the Income and Expenditure Account, which bears costs, which would otherwise distort the cost of the frontline services. CIPFA dictates what can be charged to NDC as follows past service costs, settlements, curtailments in relation to pension costs, costs associated with unused shares of IT facilities, cost of shares of other long term unused but unrealisable assets.

Non-Operational Assets
Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operational Assets
Fixed assets held, occupied, used or consumed by the local authority in the direct delivery of those services for which it as either a statutory or discretionary responsibility, or for the service or strategic objectives or the authority.

Out-turn
The final actual expenditure and income in a given period.

Pension Interest Costs
The amount needed to unwind the discount applied when calculating the current service cost. As scheme members are one year older and one year closer to receiving their pension, the provision made at present value in previous year need to be uplifted by a year's discount to keep pace with current values.

Post Balance Sheet Events
Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Responsible Financial Officer.

Precept
The amount of Council Tax income required by precepting authorities (see below) to provide their services. It is levied on Council Tax billing authorities, who are required to collect income from Council Taxpayers on their behalf.

Precepting Authority
An authority that sets a precept to be collected by a billing authority. Plymouth City Council collects precepts on behalf of Devon and Cornwall Police Authority and Devon and Somerset Fire Authority.

Prior Year Adjustments
Those material adjustments, applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative (PFI)
PFI is a generic term used to describe a wide variety of arrangements under which assets and services are provided by the private sector and paid for by the Council under a long term performance related contract.

Provisions
Sums of money set aside from revenue accounts to meet any liabilities or losses which are likely to be incurred, or will be incurred, but the amount or the dates on which they will arise is uncertain. The Authority's main provisions are maintained for bad debts and insurance purposes.

Prudence
The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Prudential Code
This refers to the CIPFA Prudential Code for Capital Finance in Local Authorities which outlines the guidance applicable from 1 April 2004 for the greater freedom for Councils to borrow to fund capital investment (under the Local Government Acts 2003), subject to compliance with the Code.

Public Works Loans Board
Public Works Loans Board (PWLB) - a statutory body operating within the United Kingdom, which provides long term loans to Local Authorities.

Related Party
A third party involved with the Council where they are able to exert influence or control over the Council or are subject to influence or control by the Council.

Related Party Transactions
The transfer of assets or liabilities, or the provision of services to or for a related party, irrespective of whether a charge is made.

Reserves
Sums of money set aside to meet general or specific future liabilities.

Revaluation Reserve
The Revaluation Reserve is an unusable reserve which contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment which have not yet been realised through sales. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

Revenue Account
An account that records an authority's day to day expenditure and income on such items as salaries and wages, running costs of services and the financing of capital expenditure.

Revenue Expenditure
Spending on day to day expenses consisting mainly of employees, running costs of buildings and equipment and capital financing costs.

Revenue Support Grant
A general grant from the Government received by the authority calculated by reference to a complex formula to support the delivery of the authority's services.

Right to Buy (RTB)
A scheme whereby Ex-Council tenants are allowed to purchase their own homes (relates to housing stock transferred to Plymouth Community Homes).

Section 106 Receipts
Contributions from developers towards mitigating the effects of a development. These contributions may be, e.g. for additional education provision, playgrounds or transport infrastructure.

Section 151 Officer
The Council's Officer designated under section 151 of the Local Government Act 1972 to take overall responsibility for the financial administration of the local authority. In Plymouth this is the Director for Corporate Services.

Specific Grants
Central Government grants towards specific services, usually calculated on a fixed percentage basis, for particular services.

Soft Loan
A soft loan arises where an authority makes a loan to another entity at less than the prevailing rate of interest, where a service objective would justify the authority making a concession.

Subsidiary
For the purpose of Group Accounts, a subsidiary is an organisation over which the Council is able to exercise control in respect of its operating and financial policies, and from which the Council is able to gain benefits or is exposed to the risk of potential losses.

Temporary Borrowing
Borrowing for a temporary purpose, for a period of usually less than 1month, usually to cover cash flow.

Useful Life
The period over which the local authority will derive benefits from the use of an asset.

APPENDIX B

Finance, Efficiencies, Technology and Assets

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Grant Thornton UK LLP
Hartwell House
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BS1 FT

Please ask for: Adam Broome

Date 27th September 2012 My Ref ACCT/CF Your Ref

Dear Mr Morris

Plymouth City Council
Financial Statements for the Year Ended 31 March 2012

This representation letter is provided in connection with the audit of the financial statements of Plymouth City Council for the year ended 31 March 2012 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular, the financial statements give a true and fair view in accordance therewith.

ii. We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.

iii. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

iv. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

v. We are satisfied that the material judgments used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgments that need to be disclosed.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 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 retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded)

vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code

viii. All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

ix. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

x. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xi. Except as stated in the financial statements:
a – there are no unrecorded liabilities, actual or contingent; and
b- none of the assets of the Council have been assigned, pledged or mortgaged.

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 not adjusted the following misstatements and items brought to our attention on the audit differences and adjustments summary, attached to this letter, for the reasons noted below:

<u>Impairment of Icelandic Bank Investments</u>
The Council has not followed the LAAP guidance in relation to the impairment of Icelandic Bank Investments. For 2011/12, consistent with previous years treatment, the Council has used a prudent approach in calculating the impairment adjustment within the accounts due to the continued uncertainty over the level of future recovery. The LAAP guidance assumes collection rates of 86%, 100% and 100% for the recoveries for Heritable, Landsbanki and Glitnir respectively. There continues to be uncertainty, however, over whether these levels of recovery will be achieved and therefore impairments have been made in line with actual receipts rather than those anticipated. Officers will continue to monitor the recovery during 2012/13 and make appropriate judgements in terms of the accounting entries accordingly.

Pre-2000 Council Tax Debt write off
It was agreed as a result of last year's audit that the Council would write off the pre-2000 Council Tax Debt that had already been provided for within the accounts. However, the Council continues to receive some payments in relation to this debt, and have agreed that they will revise the outstanding figure once this information is known and write out the debt in 2012/13.

The financial statements are free of material misstatements, including omissions.

Information Provided

xiv. We have provided you with:
  a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  b. additional information that you have requested from us for the purpose of your audit; and
  c. unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

xv. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xvi. We have communicated to you all deficiencies in internal control of which management is aware

xvii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements

xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  a. management;
  b. employees who have significant roles in internal control; or
  c. others where the fraud could have a material effect on the financial statements.

xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxi. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware

xxiv. We have disclosed to you all known, actual or possible litigation and claims whose effects should be considered when preparing the financial statements

xxv. We believe that the restated amounts for the inclusion of the Tamar Bridge and Torpoint Ferry balances and the restated amounts for the adoption of Heritage Assets are correct.

Other Statements

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the Council at its Audit Committee meeting on 27 September 2012.

Signed on behalf of Plymouth City Council

Adam Broome	Cllr G Wheeler
Director for Corporate Services	Chair of Audit Committee
Date 27 September 2012	Date 27 September 2012

Unprocessed adjustments to the financial statements

Adjustment type	**£000**	**Account balance**	**Impact on financial statements**
Misstatement	£3,467	**Icelandic Banks**	Investment balances would increase £3.467m CIES reversal of impairment (loss) £3.467m Associated entries in in the MIRS and CAA.
Write off of debt	£4,700	**Bad debt provision – Council Tax**	Disclosure note outlining the bad debt provision and details of the Council Tax debt.

PLYMOUTH CITY COUNCIL

Subject:	Strategic Risk Register – Monitoring Report
Committee:	Audit Committee
Date:	27 September 2012
Cabinet Member:	Councillor Lowry
CMT Member:	Director for Corporate Services
Author:	Mike Hocking, Head of Corporate Risk and Insurance
Contact:	Tel: 01752 304967 mike.hocking@plymouth.gov.uk
Ref:	CRM/MJH
Key Decision:	No
Part:	I

Executive Summary:

This report provides a summary of the latest formal monitoring exercise completed for the Strategic Risk Register for the period March 2012 to August 2012.

The total number of strategic risks reported has increased from 33 to 36 with the addition of 5 new risks and the deletion of 2. The number of red risks has remained at 2.

Appendix A to the report provides a traffic light summary showing the current status of each risk, the movement in risk scores compared with previous monitoring periods and explanatory commentary on the key issues for each risk.

Corporate Plan 2012-2015:

The Strategic Risk Register includes links to the Corporate Plan objectives – monitoring of control action for strategic risks therefore contributes to the delivery of the Council's core objectives.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

None arising specifically from this report but control measures identified in risk registers could have financial or resource implications.

Other Implications: e.g. Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion:

None arising specifically from this report but community safety and health and safety issues and risks are taken in to account in the preparation of risk registers.

Recommendations & Reasons for recommended action:

The Audit Committee is recommended to:

- Note and endorse the current position with regard to the Strategic Risk Register.

Alternative options considered and reasons for recommended action:

Effective risk management processes are an essential element of internal control and as such are an important element of good corporate governance. For this reason alternative options are not applicable.

Background papers:

Plymouth City Council Risk Management Strategy and Policy Statement
Strategic Risk Register and associated working papers
Previous reports on risk management to Audit Committee

Sign off:

Fin		Leg		HR		Corp Prop		IT		Strat Proc	
Originating SMT Member: Tim Howes, Asst Director, Democracy and Governance											
Have you consulted the Cabinet Member(s) named on the report? Yes											

1. Introduction

1.1 The position with regard to the Strategic Risk Register was last reported to this Committee on 16 March 2012 and this report now provides a summary of the latest monitoring exercise covering the position at 31August 2012.

2. Strategic Risk Register – Monitoring Summary

2.1 In accordance with the strategy requirement for twice-yearly monitoring, the latest monitoring exercise was completed in August 2012 with the results discussed and agreed by CMT and Cabinet Planning on 4 September 2012 and 18 September 2012 respectively.

2.2 Directorate responsibility for individual risks has been reviewed in line with the senior management restructure.

2.3 Attached to this report at Appendix A is a summary showing the current status of each risk and any movement in risk scores compared with previous monitoring periods together with explanatory commentary on the key issues for each risk.

3. Headline Issues

3.1 The number of strategic risks has increased from 33 to 36 with the addition of 5 new risks and the deletion of 2. The number of red risks remains at 2.

New Risks

- **Amber Risk 88 – Failure to secure Government Funding via new process to deliver sufficient Major Transport Schemes (MTS) - Scored 16 – (Row No. 7)**
  - Department for Transport will introduce a new process for MTS funding in 2015. Outline Business Case is being prepared by April 2013 for two eastern corridor Schemes and northern corridor Whole Route Implementation Plan for section north of A38.

- **Amber Risk 85 – Health Integration — Scored 15 - (Row No. 16)**
  - The detailed local transition plan has now been developed however the establishment of key milestones timeframe remains difficult due to most national deadlines now being behind schedule. Models of integration have been scoped, a vision and outcomes workshop is planned and a joint Risk Register is being developed. Commissioning mapping activity across Plymouth in relation to the transition has been acknowledged at a cluster level as an excellent model which is now being followed by others.

- **Amber Risk 87 – Failure to maximise opportunities from the Council's property assets - Scored 12 – (Row No. 23)**
  - Strategic Property Review will highlight opportunities to utilise estate more effectively to further increase income and capital value and promote opportunities for growth.

- **Amber Risk 86 – Strategic Housing Transformation Agenda - Scored 12 – (Row No. 27)**

- The Housing Plan 2012-2017 captures the city's housing ambition and sets our priority objectives for developing, improving and investing in people's homes, neighbourhoods and communities. Regular reports on progress will be taken through Council and Plymouth 2020.

- **Amber Risk 89 – HR Transformation Project - Scored 12 – (Row No. 29)**
  - Project plan includes appropriate testing of systems and processes. Contingency plan is in place to cover all eventualities during the implementation phases.

3.2 Deleted Risks

- **Amber Risk 54 – Data Quality Management – Scored 12 – (Row No. 37)**
  - This risk is now incorporated within Risk 46 – Information Governance.

- **Amber Risk 79 – Reduced government grant investment into new affordable homes, renewal & regeneration programmes - Scored 12 - (Row No. 38)**
  - This risk has transferred to People Directorate and will be monitored as new risk 86 – Strategic Housing Transformation Agenda.

3.3 The table below shows the movement in the number of red, amber and green risks over the last two monitoring periods:

Risk Category	No. of Risks Feb 12	No. of Risks Aug 12	Deleted Risks Aug 12	New Risks Aug 12
Red	2	2	0	0
Amber	24	27	2	5
Green	7	7	0	0
TOTAL	33	36	2	5

3.4 The summary at Appendix A gives a more detailed commentary on the key issues affecting each risk as at 31 August 2012.

3.5 The headline issues are:-

3.5.1 Risk Score Unchanged

- **Red Risk 21 – MTFS Issues – (Row No. 1)**
  - The newly elected administration has reviewed the Corporate Plan and adopted 100 manifesto pledges, this has resulted in the need for the MTFS to be re-written and this is currently on-going.

- **Red Risk 49 – Future of Civic Centre & Council House– (Row No. 2)**
  - A formal procurement process has now commenced with Executive Project Board and Project Team in place. If no solution is provided following this process the Council will be forced to carry out necessary works to bring the building into a 'fit for purpose' condition.

- **Amber Risk 46 – Information Governance – (Row No. 3)**
  - The Information Lead Officers Group (ILOG) has been in operation since March 2012 and is now developing an Action Plan to coordinate strategic interventions within

each directorate in order to minimise the opportunity for sensitive personal or commercial data to be inappropriately disclosed or stolen from the Council.

- **Amber Risk 83 – Health Inequalities – (Row No. 4)**
  - Plan implemented and being integrated with Joint Strategic Needs Assessment work and Joint Commissioning Boards.

- **Amber Risk 84 – Impact of welfare reform on Plymouth City Council and our customers – (Row No. 5)**
  - Identified as a key priority for the council and working group is delivering work streams to anticipate/mitigate effects.

- **Amber Risk 33 – Capital for Education Infrastructure – (Row No. 6)**
  - Cabinet report presented in March 2012 secured resources and approval for Waves 3 and 4. Reporting back to Cabinet on Waves 5 and 6 in the Autumn.

- **Amber Risk 28 – Increase in the number of looked after children and cost pressures on Independent Placements – (Row No. 10)**
  - The council is continuing to receive applications for foster carers and adopters and alongside this the Family Justice Review, Adoption Action Plan and the provision of 'foster to adopt' carers should reduce delay in placements.

- **Amber Risk 82 – Potential legislative non-compliance of PCC buildings due to fragmented ownership and responsibility – (Row No. 11)**
  - Corporate Landlord initiative went live on 1 April 2012. This initiative brings all the responsibility for statutory compliance items into one area to ensure that contracts are extended to cover all relevant council properties. All buildings are now covered in accordance with statutory legislation and will continue to be monitored.

3.5.2 <u>Risk Score Decreased</u>

- **Green Risk 74 – Social Care - Client Management IT Systems (Carefirst) – Decreased from 12 to 8 (Row No. 34)**
  - The ASC restructure is reaching its final stages but some amendments are required to the technical solution to address issues that have arisen during implementation. Other work streams are beginning for the ASC implementation around Finance review, appointment scheduling and the latter stages of the re-enablement implementation. Within CSC significant amounts of work is being carried out to review the Main Care cycles and how this is facilitated within CareFirst as well as the implementation of the system to meet the needs of the Adoption service. The continuation of this programme is essential to ensure that new legislative requirements and efficiencies are being achieved. Recent audit report reflects a 'good' standard.

3.5.3 <u>Risk Score Increased</u>

- **Amber Risk 52 – Delivery of Capital Programme – Increased from 15 to 16 (Row No. 8)**
  - Score increased due to changes in staff and restructure. However, all new staff have adopted existing protocols and governance to mitigate this risk. New governance and processes are being developed which will reduce the impact further.

- **Amber Risk 76 – Gypsy sites – not being able to progress development –**

Increased from 8 to 12 (Row No. 28)

- Score increased because there are three sites, all at different stages of development and with different challenges concerning funding and planning permission.

4. Co-operative Council and the Review of the Risk Management Strategy

4.1 The new administration's commitment to adopt a Co-operative Council model will see more public services being delivered by, or in partnership with, charities, communities and other public sector organisations and understanding the risks and looking at how they can be mitigated is necessary for effective delivery. Such potential shift in the structure of service provision will create significant risks but also present significant opportunities.

4.2 The Local Government Governance Review 2012 produced by Grant Thornton recommends that Councils enhance their risk management processes to maximise opportunity rather than, as traditionally, minimise risk.

4.3 In light of the above the Risk Management Strategy is currently under review and will focus more on Opportunity Risk Management to help reaffirm and improve effective Risk and Opportunity Management in Plymouth.

4.4 An update on the revised strategy will be presented to the next meeting of this Committee.

5. ALARM/Cipfa Benchmarking Club 2012

5.1 As reported to this Committee in the Risk Management Annual Report dated 21 June 2012, the Council joined this year's national risk management benchmarking club to compare our performance against Alarm's National Performance Model for Risk Management.

5.2 Our results this year show an increase in our average score from 73% in 2010 to 85% which raises our performance level from "embedded and integrated" to "driving" the business which is the top score on both the "Enablers" and "Outcomes" sections of the questionnaire.

5.3 The comparator data has now been received which compares our scores with 19 other similar sized local authorities. Plymouth is rated second in the league table behind Shropshire Council who scored 95%.

6. Summary and Conclusion

6.1 The Council's success in dealing with the risks that it faces can have a major impact on the achievement of key promises, objectives and ultimately, therefore, the level of service to the people of Plymouth.

6.2 The movement in risk scores and the consequent changes to the Council's overall strategic risk profile outlined in this latest review provides good evidence of the dynamic nature of the Strategic Risk Register and the maturity of the Council's approach to the identification and management of strategic risk.

6.3 The inclusion of risk management considerations is a key feature in the Council's key corporate processes featuring in the Corporate Plan preparation, the Business Planning Framework, Budget Planning and Monitoring and Performance Management.

6.4 The review and update of the Risk Management Strategy into a Risk and Opportunity Management Strategy will raise attention to opportunity risk to ensure critical new ideas and challenges are properly considered and help to broaden the perception of risk.

6.5 Managing Risk is also one of the five core management competencies in the Council's Competency Framework ensuring that the success of managers in managing risk in their area of responsibility is assessed as part of their annual performance appraisal.

6.6 This embedded approach now acts as an effective early warning system for the recording, monitoring and management of risks that threaten the delivery of the Council's strategic objectives and plans.

6.7 The next formal review of the Strategic Register will take place in February 2013.

7. Recommendation

The Audit Committee is invited to:

7.1 Note and endorse the current position with regard to the Strategic Risk Register.

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER FIFTEEN AUGUST 2012 - Summary by Risk Rating

ROW NO	RISK REF	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING Feb-11			RESIDUAL RISK RATING Aug-11			RESIDUAL RISK RATING Feb-12			CURRENT RESIDUAL RISK RATING Aug-12			CHANGE IN RISK RATING	COMMENTS	LEAD OFFICER	RISK CHAMPION
			*P	*I		*P	*I		*P	*I		*P	*I					
1	21	MTFS issues.	5	5	**25**	5	5	**25**	5	5	**25**	5	5	**25**		COMMENTS FEB 12: The situation is being closely monitored through visits to DMTs 3 times a year. Improvement Boards are also in place to oversee the "Major Change" agenda. The MTFS is being updated on the back of the 12/13 budget setting process and is due to be presented to Council June 2012. **COMMENTS AUG 12: With the election of a new administration and their adjustments to the corporate plan linked to the 100 manifesto pledges, a new MTFS is currently being written and will be presented to the Council in the coming quarter.**	Malcolm Coe	Angie McSweeney
2	49	Future of Civic Centre & Council House	4	5	**20**	4	5	**20**	4	5	**20**	4	5	**20**		COMMENTS FEB 12: A formal procurement process is being developed but if no solution is provided following that process the Council would be forced to carry out necessary works to bring the building into a 'fit for purpose' condition. **COMMENTS AUG 12: A formal procurement process has now commenced with Executive Project Board and Project Team in place. If no solution is provided following this process the Council would be forced to carry out necessary works to bring the building into a 'fit for purpose' condition.**	Chris Trevitt	Carol Rowe
3	46	Information Governance (compliance with statutory requirements for information use, security, exchange, storage and to comply with Intellectual Property obligations)	4	4	**16**	4	4	**16**	4	4	**16**	4	4	**16**		COMMENTS FEB 12: The Senior Information Risk Officer (SIRO) - Director of Corporate Services - is initiating Information Lead Officers for each Directorate to oversee the corporate implementation of actions to reduce risks arising from an Information Governance risk evaluation in each department. This coordinating Information Lead Officers group is expected to be in operation by March in order to produce a consistent approach across the council. The object is to protect citizen and business sensitivities, whilst developing data exchanges for service delivery purposes and reduce the likelihood of regulatory penalities. **COMMENTS AUG 12: The Information Lead Officers Group (ILOG) has been in operation since March 2012 and is now developing an Action Plan to coordinate strategic interventions within each directorate in order to minimise the opportunity for sensitive personal or commercial data to be inappropriately disclosed or stolen from the council. Failure to manage Information Governance could result in regulatory penalties from the Information Commissioner or the Courts. Each department will monitor compliance through completing an Information Governance Risk template. No change to scoring as the IG risk templates have not yet been updated or Action Plan outcomes known.**	Richard Woodfield	Dave Saunders
4	83	Health Inequalities (Not meeting high level partnership target to reduce the gap in life expectancy by at least 10%)				**New**			4	4	**16**	4	4	**16**		COMMENTS FEB 12: A new 3 year plan is currently under development and will be used to inform the JSNA (Joint Strategic Needs Assessment) and Joint Commissioning Boards. **COMMENTS AUG 12: Plan implemented and being integrated with JSNA work and Health and Wellbeing Board plan and commissioning.**	Peter Aley	Lynn Clark
5	84	Impact of welfare reform on Plymouth City Council and our customers				**New**			4	4	**16**	4	4	**16**		COMMENTS FEB 12: High level analysis being undertaken on the impact for people in Plymouth of proposed changes in welfare reforms. Working groups have been established and will be used to measure multiple impact so that social groups can be prioritised according to the support services they might need. **COMMENTS AUG 12: Identified as key priority for the Council and working groups delivering workstreams to anticipate /mitigate effects.**	Peter Aley	Lynn Clark

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			Feb-11			Aug-11			Feb-12			Aug-12						
			*P	*I		*P	*I		*P	*I		*P	*I					
6	33	Capital for Education Infrastructure (Formerly Building schools for the future (BSF) programme (formerly Schools re-organisation.)	3	4	**12**	4	4	**16**	4	4	**16**	4	4	**16**		COMMENTS FEB 12: Capital Settlements for 2012/13 are broadly in line with those predicted in the capital programme this being higher than initially budgeted for in early 2011 as the Government announced a one-off additional allocation of £2.5m for Basic Need. Wave 2 programme has been approved by Cabinet. Plymouth's allocation for 2013/14 will be known in December 2012 when, if necessary, programme "waves" will be adjusted to match confirmed resources. **COMMENTS AUG 12: Cabinet report presented March 2012 securing resources and approval for Waves 3 and 4. Reporting back to Cabinet on Waves 5 & 6 in the Autumn term 2012 to secure further resources for projects.**	Jayne Gorton	Julie Reed (Lynn Clark Temp Monitoring)
7	88	Failure to secure Government funding through new process to deliver sufficient Major Transport Schemes. (DfT will introduce a new process for MTS funding 2015-19)							**New**			4	4	**16**		**COMMENTS AUG 12: Outline Business Cases being prepared by April 2013 for 3 schemes - 2 x Eastern Corridor Major Transport Schemes and the Northern Corridor Whole Route Implementation Plan for section north of A38.**	Philip Heseltine	Carol Rowe
8	52	Delivery of Capital Programme	**3**	**5**	**15**	3	5	**15**	3	5	**15**	**4**	**4**	**16**		COMMENTS FEB 12: The Constitution, including Project Governance Procedures has now been approved and Project management training will be rolled out from Jan 2012 onwards. Delivery of the Capital Programme is being centralised under the Place Directorate from 1 March 2012. **COMMENTS AUG 12: Score increased due to changes in staff and restructure. However, all new staff have adopted existing protocols and governance to mitigate this risk. New governance and processes are being developed which will reduce the impact further.**	Gareth Simmons	Carol Rowe
9	42	Health & Safety Management system	3	5	**15**	3	5	**15**	3	5	**15**	3	5	**15**		COMMENTS FEB 12: Formal Internal Audit programme implementation underway. A number of proactive audits have been carried out in maintained schools. **COMMENTS AUG 12: HSE audit of waste and recycling completed Feb 2012 concluded good level of HS management. Corporate health and safety policy implemented.**	Mark Grimley	Helen Cocks

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10	28	Increase in the of number of looked after children and cost pressures on Independent Placements.	3	5	**15**	3	5	**15**	3	5	**15**	3	5	**15**	—	COMMENTS FEB 12: There has been a 4% increase in the number of children coming into care which is a third less than other comparable Local Authorities. In terms of future risk areas there are 2 recent developments that will increased the looked after population. A recent Judicial Reviewknown as the Kent Judgement will result in more relatives who are carers becoming eligible for fostering allowances and, young people who are remanded to custody are likely to become classified as children in care. In mitigation to the increase, we are seeing a reduction in the cost of placements as a consequence of smarter commissioning and improved market management of independent placements; improved case scrutiny resulting in speedier permanency outcomes and an increase in the number on in-house placements. The Child and Parent Project is now in place which will enable in-house community assessments. **COMMENTS AUG 12: In terms of risk areas there has been over the last year a 20% increase in referral rates to Social Care and the present increase in the number of pre-birth assessments taking place with vulnerable young women in particular could lead to an increase in numbers of children in care. As predicted there has been an increase in the number of Special Guardianship applications from relatives and the additional costs to fund needs based allowances. From November young people on remand will become classified as Children in Care and from April next year the LA will be responsible for the full cost of the accommodation whilst on remand. In mitigation we are continuing to receive applications for foster carers and adopters and alongside this the Family Justice Review and Adoption Action Plan should reduce delay in placements and also the provision of 'foster to adopt' carers.**	Dave Simpkins / Anne Osborne	Julie Reed (Lynn Clark Temp monitoring)
11	82	Potential legislative non-compliance of PCC buildings due to fragmented ownership and responsibility	**New**			3	5	**15**	3	5	**15**	3	5	**15**	↘	COMMENTS FEB 12: The Corporate Landlord initiative has now been adopted and goes live 1 March 2012. No change to risk score at this time as it is too early to measure the impact of this initiative. **COMMENTS AUG 12: Corporate Landlord initiative went live on 1 April 2012. This initiative brings all the responsibility for statutory compliance items into one area to ensure that contracts are extended to cover all relevant council properties. All buildings are now covered in accordance with statutory legislation and will continue to be monitored.**	Chris Trevitt	Angie McSweeney
12	59	Financial Risk associated with contaminated land	3	5	**15**	3	5	**15**	3	5	**15**	3	5	**15**	—	COMMENTS FEB 12: Grant funding has been awarded for the current top priority site and investigations are progressing. Preparations are in hand to apply for further funding with the next highest priority site when the bid window opens. Unknown implications for future liabilities if funding from DEFRA not available. **COMMENTS AUG 12: Contaminated Land Strategy under review. Prioritisation has been undertaken on those sites initially assessed, and a priority list produced. This is under continual review as new information becomes available.**	Jayne Donovan / Robin Carton	Carol Rowe
13	67	Violent extremism	3	5	**15**	3	5	**15**	3	5	**15**	3	5	**15**	—	COMMENTS FEB 12: "Prevent" action plan refreshed in line with new Government policy and being performance managed with partners. **COMMENTS AUG 12: Prevent Plan updated and being delivered with partners, including training and Counter Terrorism Local Profile received and being responded to.**	Peter Aley	Lynn Clark

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			*P	*I		*P	*I		*P	*I		*P	*I					
14	24	Violence to staff/lone working.	3	5	**15**	3	5	**15**	3	5	**15**	3	5	**15**		COMMENTS FEB 12: A prototype for PVP case management is being reviewed. This is subject to decision on how case data will be input in the system. The HR Transformation Project is considering use of an electronic form VRI to capture the data required so that, if the management decision oafter a violent incident is to raise a PVP alert, then the data can be input to the PVP case without re-keying. **COMMENTS AUG 12: A prototype for PVP case management, using CRM, has been produced. This is being reviewed by HSW team in preparation for review by service user group in August.**	Mark Grimley	Helen Cocks
15	51	Failure to deliver sustained and accelerated economic and population growth.	3	5	**15**	3	5	**15**	3	5	**15**	3	5	**15**		COMMENTS FEB 12: Successful Regional Growth Fund award for Princess Yachts. £14m secured for the HotSW from the Growing Places Fund and opportunity to bid into the new Coastal Communities Fund. Redundancy levels remain too strong and there are real pressures again on the economy and businesses. Plymouth unemployment rate has fallen slightly but is relatively stable but this is partly to the increased take up of initiatives such as apprenticeships rather than creation of significant numbers of new jobs in the private sector. **COMMENTS AUG 12: Unemployment trends have remained stable with a slight drop in the overall rate but stubborn high levels of young unemployed and long-term unemployed. The Council received confirmation that a £2m application for Coastal Communities Fund money had been successful at first stage. The city has applications waiting assessment in both the Regional Growth Fund and Growing Places Fund. Local company KPM has received £1m of Grant for Business Investment for expansion at Ernesettle. Preparations are being made to secure further ERDF funds for the Urban Enterprise Programme.**	Chris Grace / John Dixon	Carol Rowe
16	85	Health Integration							**New**			3	5	**15**		**COMMENTS AUG 12: The detailed local transition plan has now been developed however the establishment of key milestones timeframe remains difficult due to most national deadlines now behind schedule. Models of integration have been initially scoped, a vision and outcomes workshop is planned for the beginning of August and a joint Risk Register is being developed. Commissioning mapping activity across Plymouth in relation to the transition has been acknowledged at a cluster level as an excellent model which is now being followed by others.**	Tony Hopwood	Lynn Clark

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17	68	Failure to reach recycling targets and divert waste from landfill (Ex Failure to implement new initiatives to increase recycling rate, due to budget pressures. Initatives agreed as part of PFI funding arrangements.)	4	4	**16**	3	4	**12**	3	4	**12**	3	4	**12**		COMMENTS FEB 12: The total biodegradable municipal waste landfilled in the first three quarters of 2011/12 is 86 tonnes less than the same period in 2010/11. This gives a projected year end total of 59,075 tonnes or 7,459 tonnes more biodegradable waste landfilled than the LATS permits allocated to us, however we have purchased sufficient permits to cover this defecit. Although the expansion of the garden waste scheme to the remainder of the city during 2012/13 will reduce the amount of biodegradable waste landfilled, it is estimated that we will need to purchase an additional 15,500 permits. Following the 2012/13 target year, the LATS system will be abolished. **COMMENTS AUG 12: The total biodegradable municipal waste (BMW) landfilled in 2011/12 was 381 tonnes less than the same period in 2010/11 and with its LATS allocation and purchased credits the Council has sufficient permits to cover this biodegradable amount and hence no fines will be levied for 2011/12. The Q1 2012/13 performance has improved slightly compared with similar period in 2011/12 with recycling/reuse/composting performance up by 0.5% and the amount of waste landfilled down by 224 tonnes over similar period. The PFI reference recycling initiative to collect glass from the kerbside is due to begin a pilot collection service on one round from Sept 2012.**	Jayne Donovan / Mark Turner / Sue Lorne	Carol Rowe
18	55	Failure to deliver waste PFI Procurement for SW Devon Waste Partnership (by 2014)	4	4	**16**	3	4	**12**	3	4	**12**	3	4	**12**		COMMENTS FEB 12: Planning approval was granted and the formal decision document issued on 3rd Feb 2012. **COMMENTS AUG 12: Planning and permit risks decreased but risk remains at 12 as the new administration is opposing the project and currently investigating legal options available to them.**	Mark Turner	Carol Rowe
19	60	Economic downturn affecting treasury management.	3	3	**9**	3	5	**15**	3	4	**12**	3	4	**12**		COMMENTS FEB 12: The global economic situation has not improved so close scrutiny is still needed to avoid any detrimental impact on treasury management. Exposure to fluctuating interest rates has diminished due to significantly reducing investments and borrowing. **COMMENTS AUG 12: On-going monitoring of global economic situation in place.**	Malcolm Coe	Angie McSweeney
20	81	Impact of trading services and loss of local authority funding through academy status	4	4	**16**	4	4	**16**	3	4	**12**	**3**	4	**12**		COMMENTS FEB 12: Althrough the rate of academy transfers has significantly slowed since 12 months ago, there is still a need to monitor the level of buy-back of local authority services by schools who are already academies and the impact of any national changes to funding transferred from LA budgets to academies. The degree of impact on services varies but is being mitigated through monitoring of individual budgets. **COMMENTS AUG 12: Whilst the government is anxious to increase the number of primary schools to academy status the level of buy back and the impact will need to be monitored. Changes to the schools funding formula will mean schools have the money in their budgets through further delegation to purchase services, but there will be more choice available in the market place.**	Gareth Simmons / Jayne Gorton	Julie Reed (Lynn Clark Temp Monitoring)
21	72	Significant pressure on Adult Social Care budget	4	4	**16**	4	4	**16**	3	4	**12**	3	4	**12**		COMMENTS FEB 12: Financial pressures continue but are being tightly managed and the overspend is likely to be minimal at year end. **COMMENTS AUG 12: We continue to closely monitor and manage variation in budget pressures in order to minimise any potential overspend at year end.**	Pam Marsden	Lynn Clark

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22	36	Management of Employee Stress	3	5	**15**	3	5	**15**	3	4	**12**	3	4	**12**		COMMENTS FEB 12: Team stress risk assessments are complete. Workplace options service in place and being used. Thorough review of approach to resilience in 12/13 business plan year. **COMMENTS AUG 12: HSW processes in place with managers (as part of business plans) that recommend team stress risk assessments are undertaken on annual basis. Thorough review of approach to resilience in 12/13 business plan year.**	Mark Grimley	Helen Cocks
23	87	Failure to maximise opportunities from the Council's property assets							**New**			3	4	**12**		**COMMENTS AUG 12: Strategic Property Review will highlight opportunities to utilise estate more effectively to further increase income and capital value and promote opportunities growth.**	James Watt	Carol Rowe
24	73	Employee Relations	4	5	**20**	3	5	**15**	3	4	**12**	3	4	**12**		COMMENTS FEB 12: Ongoing liaison and meaningful engagement with trade unions including national office and legal teams. Various efficiency savings to be confirmed following the implementation of revised terms and conditions for staff. **COMMENTS AUG 12: On-going liaison with trade unions office and legal teams.**	Mark Grimley	Helen Cocks
25	47	Concessionary Fares	3	4	**12**	3	4	**12**	3	4	**12**	3	4	**12**		COMMENTS FEB 12: The 2012/13 reimbursement rate has been published and meetings held with operating companies (OPCOs). It is not expected that the rate will be challenged but there is a two month period from April 1st for appeals to the Secretary of State if companies feel that they are "worse off". We will continue to engage with OPCOs to minimise the risks. **COMMENTS AUG 12: The 2012/13 reimbursement rate has been published and the period for 'challenge' to the SoS has now passed. The residual risk for this year is the possibility of an increasing number of journeys, which could put pressure on the budget.**	Clive Perkin / Adrian Trim	Carol Rowe
26	77	Carbon Reduction Commitment (CRC) Energy Efficiency Scheme	4	5	**20**	3	5	**15**	3	4	**12**	3	4	**12**		COMMENTS FEB 12: Carbon reduction commitments for 2011 achieved via a number of initiatives, e.g. installation of Smart Meters and there has been a 8.5% reduction of the Council's carbon footprint in 2010/11 from a 2009/10 baseline. PCC is ranked among the top 20% in the CRC Performance League Table. **COMMENTS AUG 12: On-going work to rationalise the Corporate Estate as well as looking at initiatives for generating energy on specific sites.**	Chris Trevitt	Angie McSweeney
27	86	Strategic Housing Transformation Agenda.							**New**			3	4	**12**		**COMMENTS AUG 12: The Housing Plan 2012-2017 captures the city's housing ambition and sets out priority objectives for developing, improving and investing in people's homes, neighbourhoods and communities.**	Stuart Palmer / Paul Barnard	Lynn Clark
28	76	Gypsy Sites - not being able to progress development	4	4	**16**	2	4	**8**	2	4	**8**	3	4	**12**		COMMENTS FEB 12: A plan to identify a preferred bidder to develop the site was agreed by Cabinet in Aug 2011. Options are being considered following invitations to express an interest in acquiring a lease and a government funding opportunity. **COMMENTS AUG 12: 3 sites agreed by Cabinet in Aug 12 and at various stages of development.**	Peter Aley	Lynn Clark
29	89	HR Transformation Project							**New**			3	4	**12**		**COMMENTS AUG 12: Project plan includes appropriate testing of systems and processes. Contingency plan in place to cover all eventualities during the implementation phases. Additional budget approved for resources as required.**	Mark Grimley	Helen Cocks

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30	30	Unavailability of ICT	2	5	**10**	2	5	**10**	2	5	**10**	2	5	**10**		COMMENTS FEB 12: A network upgrade is reducing known points of failure and a contract to build a second data centre to provide resilience / disaster recovery is in place. However, the contract for the fit out of the second data centre has not yet been agreed and if the Civic Centre is refurbished the first data centre will be taken out of operation, thus reducing the resilience / disaster recovery back to the current capability. Processes have been improved to minimise unplanned events and reduce discovery times, but there is a continuing risk of unavailability of ICT until two data centres are in place. **COMMENTS AUG 12: The data centre project at Windsor House is progressing to plan and will undergo commissioning and go live in January 2013. This will further reduce the likelihood of system downtime and provide a platform for future improvements.**	Malcolm Coe	Angie McSweeney
31	14	Fraud	2	5	**10**	2	5	**10**	2	5	**10**	2	5	**10**		COMMENTS FEB 12: Briefing paper on implementation of the Bribery Act has been presented to Audit Committee and further work will be undertaken to educate members and staff. The checking of NFI matches received from the Audit Commission has come to an end. The results of the exercise are being collated and will be reported in due course. Investigations are on-going in a number of cases highlighted by the matching process. **COMMENTS AUG 12: 2012-13 National Fraud Initiative exercise is due to commence with the upload of data from the DWP and other organisations at the end of 2012, the Audit team are taking a more proactive approach to Fraud in readiness for this exercise.**	Dominic Measures	Angie McSweeney
32	08	Business continuity planning in line with Civil Contingencies Act 2004 statutory responsibilities.	2	5	**10**	2	5	**10**	2	5	**10**	2	5	**10**		COMMENTS FEB 12: Update on Departmental Recovery Plans underway following recent industrial action. Successful activation of the Business Coordination Centre carried out on the day of the industrial action. **COMMENTS AUG 12: The Council had a significant event in the form of possible fuel shortages but the use of the Business Continuity Incident Management Plan as well as the decisions by the Business Continuity Strategy Group meant that any impacts were mitigated.**	Jamie Whitford-Robson	Marie-Odette Prêleur
33	70	Delivering the transformation of Adult Social Care through Putting People First framework	2	3	**6**	2	3	**6**	3	3	**9**	3	3	**9**		COMMENTS FEB 12: Restructuring of the service has impacted on rollout and has meant that we will not reach our target this year but will still increase on last year's target. **COMMENTS AUG 12: The roll out of the service restructure in July 2012 has been completed and sustained improvement is expected over the coming year in the level of Personal Budgets.**	Pam Marsden / Paul Francombe	Lynn Clark

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34	74	Social Care - Client Management IT Systems (Carefirst)	5	4	20	5	4	20	3	4	12	2	4	8		COMMENTS FEB 12: Work is ongoing and benefits are being realised but the programme of work in ongoing to ensure they are maximised. Work must continue to enable roll out of functionality to support the ASC restructure as well as embed technologies to support the personalisation agenda. **COMMENTS AUG 12: The ASC restructure is reaching its final stages but some amendments are required to the technical solution to address issues that have arisen during implementation. Other work streams are beginning for the ASC implementation around Finance review, appointment scheduling and the latter stages of the re-enablement implementation. Within CSC significant amounts of work is being carried out to review the Main Care cycles and how this is facilitated within CareFirst as well as the implementation of the system to meet the needs of the Adoption service. The continuation of this programme is essential to ensure that new legislative requirements and efficiencies are being achieved. Recent audit report reflects a 'good' standard.**	Karen Porte	Angie McSweeney
35	80	Planning Obligations - implications of new legal framework and current economic circumstances.	2	4	8	2	4	8	2	4	8	2	4	8		COMMENTS FEB 12: Work still on track with Cabinet agreeing the Draft CIL Charging Schedule and the amended Planning Obligations & Affordable Housing Supplementary Planning Document for public consultation. **COMMENTS AUG 12: The Planning Obligations and Affordable Housing Supplementary Planning Document First Review 2012 was formally adopted by Full Council on 30/08/12.**	Jonathan Bell	Carol Rowe
36	69	Contribute and support the development of the Plymouth Life Centre at Central Park	2	3	6	2	3	6	2	3	6	2	3	6		COMMENTS FEB 12: Progress on site is very good with the building clearly coming together well. The professional team is working through the handover arrangements, snagging the building already and monitoring the completion programme. The operator, Everyone Active, is well into its mobilisation arrangements with the majority of the fit-out items having been procured already. Leisure Partnership Manager appointed to Leisure Management Contract and will be the key focal point between operator, Council and the sporting governing bodies and other partners. **COMMENTS AUG 12: Section 1 of the project is complete with only section 2 works outstanding. A number of snagging items are being resolved. Replacement barrier system now installed and working very well. Everyone Active are in occupation in the building and have been operating it since the end of May. Reporting mechanisms being finalised to provide for continued monitoring of the contract.**	Tony Hopwood	Lynn Clark
37	54	Data Quality Management/Providing inaccurate information	3	4	12	3	4	12	3	4	12	Delete				COMMENTS FEB 12: Internal Audit are currently undertaking an audit of corporate performance indicators. Findings will help improve the accuracy of performance information. **COMMENTS AUG 12: This issue now incorporated into Information Governance Risk.**	Richard Woodfield	Dave Saunders
38	79	Reduced government grant investment into new affordable homes, renewal & regeneration programmes (Ex Reduced Homes and Communities Agency (HCA) investment into new affordable housing and regeneration programmes.)	5	5	25	4	3	12	4	3	12	Delete				COMMENTS FEB 12: The Housing Plan sets out key priorities to target available funding and to seek innovative methods of new home delivery. We have put 11 PCC housing sites out to competition for more homes. For private sector housing we have changed the Assistance Policy rules to reduce grants and introduced loans to target our reduced resources where it is most effective. We continue to seek other resources from partners etc. to target the worst housing for improvement, aligned with energy efficiency measures. **COMMENTS AUG 12: Now being monitored under Risk 86 Housing Transformation by People Directorate.**	Stuart Palmer	Carol Rowe

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* P = Probability Rating (1 = Low, 5 = High)
* I = Impact Rating (1 = Low, 5 = High)
Maximum Score 5 x 5 = 25

NB. Risks scored 12 or above will be the subject of priority monitoring

Grant Thornton

Plymouth City Council

Audit Plan 2011/12 – Progress Report

Audit Committee

September 27 2012

Grant Thornton

2011/12 Audit Plan Update – June 2012.					
Work area	**Reason performed**	**Work objective**	**Draft to lead officer**	**Plymouth CC lead officer**	**Progress to date**
Financial statements					
Audit Plan 2011/12	Code of Audit Practice	To design an audit plan that meets the requirements of the Code of Audit Practice and relevant International Standards of Auditing.	March 2012	David Northey	Plan agreed and presented at the last Audit Committee meeting in March.
Interim Report & Update to Financial Audit Plan	Code of Audit Practice	To gain assurance from systems of financial control for the opinion.	June 2012	David Northey	Work completed and interim report presented at the Audit Committee on 21 June 2012.
Accounts opinion	Code of Audit Practice	To provide an opinion on the accounts and the value for money conclusion.	September 2012	Adam Broome	Completed – ISA260 to be presented at this Audit Committee.
ISA260 report	Code of Audit Practice	To summarise the findings from our final accounts and other Code work that impacts on our opinion and discuss with those charged with governance.	September 2012	Adam Broome	Completed – attached as a separate agenda item and to be presented at this Audit Committee.
Whole of Government Accounts and Consolidation exercise	ISA600 – Special Considerations, Audits of Group Financial Statements.	To perform specific tests in accordance with WGA NAO group instructions.	N/A	Adam Broome	In progress. Report to be issued on 28 September 2012.
Value for Money (VfM) conclusion					
VfM risk assessment	Code of Audit Practice	To identify areas of risk to the VfM conclusion and where more detailed work is required.	January 2012	Adam Broome	Risk assessment complete. Areas of work are included in the plan for 2011/12.
Financial Resilience	Code of Audit Practice	To assess the Council's arrangements in place in the following areas: – Strategic financial planning – Financial governance and – Financial control.	September 2012	David Northey	Work completed. Executive Summary included in the ISA260. Detailed report to be presented at the December Audit Committee.
Follow up of previous years' work and recommendation	Code of Audit Practice	To review the progress against agreed action plans.	September 2012	Adam Broome/ Malcolm Coe	Work completed. Detailed report attached as a separate item to this agenda and to be presented at this Audit Committee.
Review of achievement of strategic priorities.	Code of Audit Practice	To examine the vfm achieved through the redesign of service delivery in 2011/12	September 2012	Malcolm Coe	Work completed - draft report is with officers. Summary of findings has been included in the ISA260.

ICT shared services	Code of Audit Practice	To review the arrangements currently agreed for the implementation of a shared service provision for ICT at the Council	July – September 2012	Malcolm Coe	Arrangements review to be performed in 2012/13 when project is underway.
Overall review of arrangements in place for governance, risk management and financial management	Code of Audit Practice.	To examine the overall arrangements in place at the Council or these areas and use this work to inform the VFM conclusion.	September 2012	Adam Broome	Initial risk assessment completed. Work performed in the Financial Resilience review. Also consideration given to the waste management arrangements. The summary of the conclusions and findings have been included in the ISA260 pages 15-16.
VfM conclusion	Code of Audit Practice	To provide conclusion on the Council's arrangements for achieving VfM.	September 2012	Adam Broome	VFM conclusion to be issued with the audit opinion in September 2012.
Other reports					
Annual Audit Letter	Code of Audit Practice	To summarise key findings and conclusions from the work performed under our audit plan.	October 2012	Adam Broome/ David Northey	To be drafted once opinion has been issued.
Grant claims and Certificates					
Ben O1	Grant claim work	To audit the Council's grant claim for BEN01 in accordance with grant claim instructions as issued by the Audit Commission. Work commenced in June 2012 and is on-going.	November 2012	Debbie Perry	Work is currently on-going and is due to be completed for the deadline of 30 November 2012.
NNDR	Grant Claim work	To audit the Councils grant claim for the national non domestic rate grant.	September 2012	Clare Judd	Work is currently in progress and due to be completed for the deadline of the 28 September 2012.
Teacher's Pensions	Grant Claim work	To audit the Councils grant claim for the Teachers' Pension submissions.	October 2012	Tony Sullivan	Work will commence on 8 October 2012 and will be completed for the deadline of the 30 November 2012.

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Value for Money – Follow up of Recommendations for 2010/11 VFM reviews

Plymouth City Council

September 2012

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Background

Our 2011/12 Audit Plan details the work that we have needed to complete in order to discharge our statutory responsibilities under the Audit Commission Code. As auditors we have to issue an opinion on the financial statements for the year ended 31 March 2012 and an opinion on the Council's ability to achieve value for money.

As part of the value for money conclusion work this year, we have followed up on the key recommendations made as part of the VFM work for 2010/11.

In 2010/11, we performed detailed reviews on two areas:

- the Procure to Pay project; and
- Project Management in operation across the Council.

Summary of Findings.

We reviewed the action plans for each of these reports and discussed the progress with appropriate officers. We also obtained further evidence where we felt this was necessary.

Appendix A details each action plan and the resultant progress made. We have discussed these findings with the Assistant Director of Finance, Efficiencies and Assets.

We have noted that four recommendations made on the Procure to Pay project review have yet to be implemented.

Good progress has been made in implementing the majority of recommendations agreed following the Project Management review. All bar one have been fully implemented with the remaining recommendation scheduled to be implemented by the end of September 2012.

Way Forward

We recommend that management review the Action Plan agreed following our review of the Procure to Pay process at the Council in 2011/12. We would suggest that further consideration is given to all outstanding items.

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Appendix A – Progress on 2010/11 VFM Recommendations

Procure to Pay

Rec No.	Recommendation	Priority	Update September 2012	Implemented
1	**P2P PID** The P2P PID should be updated to reflect the revised project governance arrangements structure.	Medium	Project Board report and Strategy document show revised governance arrangements. Within this, category management has been scaled down to encompass a reduced number of areas. July 2012 progress update shows where key decisions are needed, and who by. **Recommendation met.**	1 July 2011
2	**Project manager and work stream leads** The Council should ensure that the roles of P2P project manager and work stream leads should not be assigned to the same individual.	Medium	July 2012 progress update shows that programme manager and theme leads are now different people. The new separation of responsibilities occurred in March/April 2012 following the appointment of the new (interim) programme manager in February 2012. **Recommendation met.**	March 2012
3	**Structure and governance** The project structure and governance arrangements need to be re-defined in light of current circumstances, including a Memorandum of Roles and Responsibilities of all key stakeholders involved in the project.	Medium	Governance arrangements are clear and have been redefined following changes in the category management programme. Quarterly meetings of internal stakeholders are held as end-users of the P2P initiative. No formal memoranda of roles and responsibilities have been devised. The interim programme manager	July 2011

Rec No.	Recommendation	Priority	Update September 2012	Implemented
			has advised that meetings are effective and that there would be no clear advantages from producing written guidance for those attending. This is accepted. **Recommendation met.**	
4	**Project risk register** The P2P project risk register should be enhanced by: • ensuring it complies with the Council's risk management strategy, distinguishing between controls in place and required actions, with timescales and responsible officers assigned • documenting the residual risk score for each risk, where residual risks remain high, decisions should be made as to whether, and how, to address these risks • more clearly identifying risks and controls, rather than process, in place to mitigate them • identifying the type of risk	Medium	Project risk register received. Currently the register RAG rates seven separate risks. **Recommendation met.**	July 2011
5	**P2P issues list** The P2P issues list should be developed to meet the requirements of and issues log.		Although the Board Paper does comment about 'issues' within most of the separate strands, it does not include a coherent list or register that is easy to understand by someone outside the project. This was discussed on 3 September 2012 with the current programme manager, who agreed that it would be useful to establish a separate P2P issues list covering all themes.	**Outstanding**
6	**Project budgeting** The full cost of projects should be budgeted prior to a project commencing.		All category management themes have been fully costed as 'projects', and some other P2P themes have been costed as 'projects' as well.	July 2011

Rec No.	Recommendation	Priority	Update September 2012	Implemented
			As outlined in the Council's original response, where gains are through simple redeployment of existing staff (at no marginal financial cost or advantage to the Council) there has been little formal costing of the scheme. **Recommendation met.**	
7	**Project management procedure compliance** The Council's project management procedures should be followed, or an alternative methodology justified and formally approved by the project board.		The Council's project management procedures are followed. Typically project appraisals start at DMT, and then move to the Capital Delivery Board before reaching Cabinet. Recent evidence to show that this is working effectively: Cabinet has recently rejected one proposal for Hard FM approval because it (the Cabinet) was not content with the presentation of expected savings. The scheme was returned with a request for an improved business case. **Recommendation met.**	July 2011
8	**Communications plan** A project communication plan should be produced and implemented to manage relationships with internal and external stakeholders.		There is considerable effort invested to communicate ideas and savings internally, and communication is a standing agenda item for the Project Board. However there is no formal communications plan. .	**Outstanding**
9	**Savings target** The total P2P savings target, and allocation by year, should represent the value of savings the Council could achieve, rather than being a budget gap. The allocation across the six project work streams should be		At June 2012, cumulative forecast savings for 2012-13 against an original target of £950k were £533k. The target has now been changed to £801k, but this still leaves a predicted year end	**Outstanding**

Rec No.	Recommendation	Priority	Update September 2012	Implemented
	updated to reflect the revised allocation by year.		gap of £268k against the revised target - equivalent to a 67% target achievement. Also, the latest performance report shows likely savings across eight headings (starting 'Buyer' and ending 'PADS Services') that do not simply relate to the original 6 (and now + 1 category management) P2P strands. This was discussed on 3 September 2012 with the programme manager. The overall underperformance against target is recognised and red rated on the project risk register. Moving forwards, there needs to be greater clarity over how savings targets are established and confidence that these are stretching, but achievable.	
10	**P2P reporting** P2P reporting to the Corporate Support Services board should clearly reflect only revenue savings, and cashable and non-cashable savings should be separately monitored.		The current Project Board reports only show revenue, cashable savings. Consideration is being given as to how best to show (a) revenue, non-cashable savings and (b) capital savings.	**September 2012**
11	**Benefits realisation strategy** The Council should urgently develop benefits profiles for all planned benefits (financial and non-financial) from the P2P project, including how each benefit is to be measured, and the timescales for realising each benefit, to ensure effective monitoring and benefits realisation.		This remains work in progress. The project support officer has responsibility for benefits realisation and is currently working on 'volumetrics' - showing graphically, for example, how numbers of transactions and requests have changed in connection with P2P developments over the last 12 months.	**Outstanding**
12	**Specifying goods and services** The SPU needs to clearly communicate to stakeholders the role of services in specifying goods and services that buyers will procure for them.		Over the past year, services have learned about the importance of providing clear specifications for buyers. All procurement requires a request for quotation (RFQ) form to be completed.	July 2011

Rec No.	Recommendation	Priority	Update September 2012	Implemented
			Buyers have been allocated to specific service areas so that they can develop their own expertise, and the plan is eventually to locate them physically within services. **Recommendation met.**	
13	**Specialist goods and services** The Council should consider defining what is meant by specialist goods or services to ensure clarity for those involved in their procurement. Where specifications are for specialist items or those with a detailed specification, services should be informed that, where appropriate, the buyer will refer a supplier to the service to agree the specification.		Having direct connections between services and suppliers to help specify specialist goods has not proved necessary. All procurement has been done by buyers using the RFQ system.	No further action required.
14	**Whole life costing of goods and services** The whole life cost of goods and services should be determined and used to inform procurement decisions.		Approach amended - The general rule is that whole life costing is followed and that assessments are guided 50:50 (quality: price). Sometimes the importance given to price is higher (45:55) or (40:60). One recent example of goods procured on quality rather than price were cutting tools in the Council's materials recycling depot. Accept adaptation to process.	No further work.

Project Management

Rec No.	Recommendation	Priority	Update September 2012	Implemented
15	**Procedures - approval and training** Approve the project management and capital programme procedures and ensure that the training programme to support them is rolled out in a timely way to maximise their impact and benefit.	Medium	Following review by the Audit Committee on the 26 March 2010, the project management and capital programme procedures were approved at full Council on the 30 January 2012 as part of the approval on the revised constitution. Roll out of the training programme has been delayed as the Council awaits the outcome of its review of capital delivery and its restructure of project delivery into one centralised location.	**December 2012**
16	**Procedures - revenue projects** Ensure that guidance, language and terminology used in the procedures is clear for revenue projects.	Medium	The procedures have been amended to include information on revenue projects by the Project Services Manager in response to comments made. **Recommendation met**	July 2011
17	**Procedures - review** Review project management procedures when they have been in place for an agreed period of time. Use feedback from project managers to make them clearer and more		A review of the procedures is planned as part of the centralisation of project delivery which is currently in progress.	**March 2013** Responsibility for this is with the Head of Project

Rec No.	Recommendation	Priority	Update September 2012	Implemented
	concise, removing technical language and using plain English.			Delivery
18	**Procedures - corporate services** Project management procedures should require the early involvement of key corporate support services, such as ICT and HR, wherever relevant.		The procedures have been updated although approval/sign off by ICT, HR etc has not been included as it was considered that this may introduce **Recommendation met** unnecessary delays. Instead project managers are required to start communication with these departments at the earliest point possible for the relevant projects.	Completed
19	**Project managers** Review the role of project managers. Ensure training is targeted to officers who will manage projects in the future. Consider the benefits of bringing together project managers in one location.		The procedures have been updated although approval/sign off by ICT, HR etc has not been included as it was considered that this may introduce unnecessary delays. Instead project managers are required to start communication with these departments at the earliest point possible for the relevant projects. **Recommendation met.**	Completed
20	**Project managers** Review the role of project managers. Ensure training is targeted to officers who will manage projects in the future. Consider the benefits of bringing together project managers in one location.		The Council is currently centralising project delivery into one location as per the recommendation. The restructure and arrangements to achieve this are currently underway	**December 2012**
21	**Post implementation reviews** Ensure that robust post project implementation reviews are undertaken as set out in the project management procedures.		The task of undertaking post project reviews is now being undertaken by the Council's Cost Manager as agreed in May 2011 (although at the point of the review no projects had yet gone through this new process). This allows for a more robust, independent and consistent to reviews with input from the key	Completed

Rec No.	Recommendation	Priority	Update September 2012	Implemented
			project team members. The Cost Manager also uses this information to benchmark against other authorities. **Recommendation met.**	
22	**Outcomes and key lessons** Ensure that the outcomes and key lessons from previous projects are disseminated appropriately.		The post project review has been delayed until the end of the defects period for this project. Once this is completed then this information will be shared with the other project managers.	**September 2012**
23	**Publicise success** Publicise successful projects to generate pride and so that others can learn lessons from the success		A formal process for publicising successful projects is being implemented by the project strategy team to cover all projects. This process has been successfully implemented on a number of completed school projects and allows key stakeholders including local councillors to publicise the Councils successes to the city. **Recommendation met.**	Completed
24	**Accommodation strategy reporting** Develop a high level programme reporting system for the accommodation strategy which tracks progress against financial and non-financial objectives.		Accommodation Strategy Board in place which tracks progress against financial and non-financial objectives. A written report is now presented to each meeting by the Accommodation Strategy Programme Manager which is collated from all the project managers delivering the individual projects. These reports monitor progress in terms of cost, time and quality, In addition to these reports dashboard reports are prepared as part of standard project monitoring which is used by managers to give a quick overview of project status. **Recommendation met.**	Completed

Rec No.	Recommendation	Priority	Update September 2012	Implemented
25	**Accommodation strategy team** Strengthen arrangements for the team responsible for delivering the accommodation strategy to ensure they remain resilient and there are contingency arrangements if required		Clear structure for the Accommodation Strategy Team has been put in place to ensure that this project is successfully delivered. Additional staff have been appointed to work on the project from both the project delivery team and the corporate property team to ensure that the correct level of resources are allocated to ensure successful project delivery. **Recommendation met.**	Completed

Grant Thornton

Plymouth City Council

Annual report to those charged with governance (ISA 260)

September 2012

Content

CONTENTS

1 Executive summary

Purpose of this report

This report has been prepared for discussion between Grant Thornton UK LLP and the Audit Committee of Plymouth City Council (the Council). The purpose of this report is to highlight the key issues arising from the audit of the Council's financial statements for the year ending 31 March 2012.

This report meets the mandatory requirements of International Standard on Auditing 260 (ISA 260) to report the outcome of the audit to 'those charged with governance', designated as the Audit Committee. The requirements of ISA 260, and how we have discharged them, are set out in more detail at Appendix A.

The Council is responsible for the preparation of financial statements which record its financial position as at 31 March 2012, and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Council's financial statements present a true and fair view of the financial position.

Under the Audit Commission's Code of Audit Practice we are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Audit conclusions

Financial statements opinion

Following certification by the Council's Section 151 Officer, we were presented with draft financial statements for audit by the statutory deadline of 30 June 2012.
A number of adjustments have been made to the disclosures supporting the main financial statements, which include material amendments to the disclosures used to support the figures for Property, Plant and Equipment. None of these amendments have an impact upon the net assets or liabilities of the council. Further details have been added to supporting disclosure notes for Heritage Assets to ensure greater transparency of the method of valuation. A Post Balance Sheet Event has been added to the financial statements as a result of the movement of funds amounting to £21m for Local Enterprise Partnership (LEP) funding. In August 2012, Devon County Council took over the administration of this fund. None of the audit adjustments have resulted in changes to the reported outturn of the Council as at 31 March 2012, or reserves and balances.

Subject to the required audit adjustments being made, we anticipate providing an unqualified opinion on the Council's financial statements, following approval by the Audit Committee on 28 September 2012. We are currently reviewing information that has been brought to our attention in relation to capital expenditure within the Highways and Transport Service. We will update our value for money conclusion when extra work has been completed in this area.

Further details of the outcome of the financial statements audit are given in section 2.

Value for Money Conclusion

In providing the opinion on the financial statements we are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources (the Value for Money Conclusion).

We are currently performing additional testing as a result of information that has been brought to our attention. We will update our value for money conclusion once this work has been completed.

Further details of the outcome of our value for money review are given in section 3.

The way forward

Matters arising from the financial statements audit have been discussed with the Head of Finance and the Director for Corporate Services. We have made a number of recommendations, which are set out in the action plan at Appendix C. This has been discussed and agreed with the Head of Finance and the Director for Corporate Services.

Use of this report

This report has been prepared solely for use by the Council to discharge our responsibilities under ISA 260, and should not be used for any other purpose. We assume no responsibility to any other person. This report should be read in conjunction with the Statement of Responsibilities and the Council's Letter of Representation.

Acknowledgements

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP

September 2012

2 Key audit issues

Matters identified at the planning and interim stages of our audit

We report our findings in line with our planned approach to the audit which was communicated to you in our Audit Plan 2011-12 presented to the Audit Committee in March and updated in our interim report presented to the Audit Committee in June 2012.

Our response to the matters identified at the planning and interim stages are detailed below.

Issue	Audit areas affected	Work completed	Assurances gained
Community Assets	Accounting for Property, Plant and Equipment	• A review of the classification of assets undertaken by the Council as part of their review for Heritage Assets has identified a number of assets that have been categorised incorrectly. A list of the errors have been submitted to us and the amendments required are not material in total. We have discussed the findings with the Council since they have been identified in order to ensure the correct treatment is applied.	• Our audit has examined the amendments made. We have tested the reclassification of assets and ascertained that the corrections made are in accordance with accounting standards. No further amendments have been required as a result of this review. None of the adjustments individually or in total were of a material nature and we have agreed that a prior year adjustment is not required. All corrections have been in made in 2011/12 balances.

Issue	Audit areas affected	Work completed	Assurances gained
Heritage Assets	Accounting for Property Plant and Equipment	• We have discussed the change in accounting requirements and undertaken an initial review of the Council's arrangements for the identification of heritage assets to ensure compliance with the principles of FRS30 which are adopted by the Code for the first time in 2011-12.	• Our testing confirmed that heritage assets have been accounted for correctly in accordance with FRS30. We have suggested that further disclosure is made with regards to the methodology adopted for valuation of Council owned and donated assets. Management have agreed to make these amendments to the disclosure notes.
Adoption of the new asset register	Accounting for Property Plant and Equipment	• We have reviewed the processes in place in respect of the adoption of the new asset register, in particular the reconciliation exercise that has been undertaken. We have held regular discussions with the Council's officers in respect of the changes arising from the reconciliation and any impact on the disclosure notes in the accounts.	• Our work has tested the opening balances of all asset categories within the Techforge asset register and found these to be materially correct. We have reviewed the disclosures within the accounts and found that adjustments have had to be made for Academy schools of £68m and disposals of £1.1m due to an inaccurate categorisation being used. A further £4.4m adjustment has been required to correctly classify assets within 'other land and buildings' as 'assets under construction'.
Life centre and impairment of the Mayflower Centre and Swimming Pool	Accounting for Property Plant and Equipment	• We have discussed the valuation and impairment of the asset with the Council and reviewed the accounting entries now that it has been brought into use. The accounting treatment has been discussed and agreed through the regular discussions between officers and ourselves.	• We have gained assurance that the Council has appropriately accounted for the Life Centre and Mayflower Centre as part of the PPE balances for 2011/12.

Issue	Audit areas affected	Work completed	Assurances gained
Tamar Bridge and Torpoint Ferry Joint Committee – inclusion within the single entity accounts	**All areas of the financial statements**	• As highlighted in our ISA260 Report last year, we have continued to discuss and review the accounting treatment of the Joint Committee with the Council and the Audit Commission – auditors of Cornwall County Council. This review has concluded that both Councils will have to restate the opening balances for 2010, 2010/11 and 11/12 to incorporate the financial activities within the single entity accounts rather than as a group activity, based upon information provided by Cornwall Council. We have tested the prior year adjustments for all balances affected by the inclusion of the Tamar Bridge figures within Plymouth's accounts; namely 1 April 2010, 2010/11 and 2011/12. We have sought assurances from the auditors of the Tamar Bridge Joint Committee for the 2011/12 balances.	• Our audit work has concluded that the prior year adjustments made to Plymouth's accounts with regards to the inclusion of the Tamar Bridge and Torpoint Ferry figures are materially accurate and can be further supported with assurances from the auditors of the Joint Committee. As per the 1957 Act, Plymouth are liable for 50% of loans taken out to finance improvements to the bridge. This has been treated as a long term liability within the accounts. We have, however, recommended that both Plymouth and Cornwall Councils draft a formal document which outlines the roles and responsibilities of both Councils for assets and liabilities. We will await assurance from the Joint Committee's Audit Committee that the accounts have been adopted on 28 September 2012 prior to issuing our opinion.

Table 1: Key accounting risks and planned assurances (continued)

Issue	Audit areas affected	Work completed	Assurances gained
Mount Edgcumbe	Accounting for Property, Plant and Equipment	• Mount Edgecumbe is included in the accounts as an operational asset and therefore should be valued as such. The land is a community asset and is valued at £1.00. The classification and the use of this asset will be examined as part of the Property, Plant and Equipment testing undertaken during final accounts.	• We have reviewed the classification of the land and buildings of Mount Edgcumbe and concluded that the classification is correct.
Group Accounts Proposal	Group account reporting	• The Council are proposing not to produce Group Accounts for 2011/12. It has been agreed that a review of the explanation and judgements will be undertaken during the final accounts.	• We have reviewed the Council's assessment of Group Accounting following the move from Tamar Bridge and Torpoint Ferry out of the group and into the single entity accounts. We have concluded that the Council have performed an adequate review of the need to produce group accounts and that these are not required.
Embedded Leases	Accounting for Property, Plant and Equipment & Leases	• All service contracts have been reviewed for the likelihood of embedded leases and concessionary services. This has been performed by PWC and the results of this will be reviewed. As part of the final accounts audit the accounting treatment in respect of service contracts and any new embedded leases will be examined.	• We have reviewed the process that the council has undertaken to assess lease accounting. Our testing has concluded that leases are materially correct.
St Boniface School	Controls assurance	• We will consider the impact of the investigation into mismanagement of funds at St Boniface and assess if there are any further implications for our testing of school balances.	• We have reviewed the assessment made. We have tested the VAT creditor which the council has had to account for following the fraud. We have also reviewed a sample of additions within schools and concluded that these have been accounted for correctly.

Table 2: Additional key accounting risks and planned assurances (continued)

Issue	Audit areas affected	Work completed	Assurances gained
Annual Leave Accrual	**Employee Remuneration**	• We have discussed the Council's proposed approach for calculating the annual leave accrual and will test this in detail as part of our final accounts audit. This is the same basis as agreed with us in previous years.	• We have reviewed the estimation process and estimate arrived at by the council. We have concluded that the estimate for Annual Leave Accrual is based upon appropriate information and that the methodology adopted is acceptable.
Icelandic Banks	**Investments**	• The Council are proposing not to make an adjustment in respect of the Icelandic Bank deposits due to the uncertainty of the cash flows and the currency used for settlement. As in previous years, this is a deviation from the LAAP guidance. We will consider whether the Council's proposed treatment, together with additional disclosure notes, is reasonable as part of our detailed final accounts procedures.	• The Council have decided to deviate from LAAP 82 guidance and not account for estimated funds to be received as per the LAAP guidance. We have noted this deviation in this report. We have also assessed the adequacy of the disclosure note to the accounts and agreed this to supporting documentation. We have identified this deviation from recommended practice as an unadjusted mis-statement for approval by those charged with governance.

Status of the audit

We carried out our audit in accordance with the proposed timetable and deadlines communicated to you in our Audit Plan 2011-12. Our audit is substantially complete although we are finalising our procedures in the following areas:

- further testing on capital transactions within the Highways and Transport service;
- further analysis and review of the reconciliation between payroll and the general ledger;
- review of the financial instruments balances
- review of the final version of the financial statements;
- obtaining and reviewing the Council's letter of representation
- reviewing post balance sheet events, up to the signing of the accounts; and
- receipt of confirmation from the Tamar Bridge and Torpoint Ferry Joint Committee that there are no issues which would impact upon the validity of the financial assets, liabilities and income and expenditure of the balances within Plymouth City Council's accounts.

We anticipate providing an unqualified opinion on the Council's financial statements, following approval by the Council's Audit and Governance Committee on 27 September 2012 and the Tamar Bridge and Torpoint Ferry Joint Committee's meeting on 28 September 2012.

We were presented with draft financial statements for audit, following certification by the Council's Responsible Finance Officer, by the statutory deadline of 30 June 2012. We recognise that the quality of working papers have improved over the last year and we will continue to discuss with officers where they can be improved further, such as ensuring there is sufficient supporting information for new balances or where there have been material transactions as well as ensuring that the final version of working papers have been maintained. We have suggested a number of grammatical and presentational changes which management have agreed to process.

Misstatements

There are no misstatements within the accounts that would have an overall impact upon the resources of the Council.

Amendments have been made to the balances within Property Plant and Equipment relating to the previous year's balances and these have resulted in an overall increase of £3.5m to the asset balance of the Council. There have been a number of disclosure note changes which do not have an impact upon the reported figures for Property Plant and Equipment. These and other amendments are detailed in the following paragraphs.

Capital Accounting

Tamar Bridge and Torpoint Ferry Joint Committee – inclusion in the Council's single entity accounts

As part of our 2010/11 audit, we concluded that the Council should include the financial activities and balances for the Tamar Bridge and Torpoint Ferry's accounts within both Plymouth City Council's and Cornwall Council's single entity accounts. This was as a result of our review which concluded that the arrangement should be classed as a Joint Operation rather than as a group arrangement. We discussed this view with the Auditors of Cornwall County Council, the Audit Commission, who agreed that this was the appropriate approach.

During the course of 2011/12 we have had detailed discussions with both the Council and the Audit Commission on how the balances should be treated in both sets of accounts.

As a result of this agreed revision, the council have restated the balance sheet and comprehensive income and expenditure account for the opening balances for 2010/11 and 2011/12. For 2011/12 this has resulted in an increase in long term assets of £112m, current assets £1.6m, current liabilities £1.7m, long term liabilities £10.3m giving a net asset increase of £102m. There has also been an increase in the General Fund of £1.4m and unusable reserves £101m. A prior year adjustment note has also been added to the accounts in accordance with accounting standards.

Fixed Asset Restatement including review of Community Assets 2010/11

During the course of the year, the Council undertook a detailed review of the transactions within the asset register – Techforge, following its implementation at the end of 10/11. As a result of this exercise, and the review of Community Assets as recommended in the 2010/11 ISA 260, the Council identified a number of errors which related to the classification of some assets. The errors identified relate to

2010/11 balances and have been corrected in the 2011/12 accounts. In summary the most significant of these errors identified were:

- Other Land and Buildings - upward revaluations of £1.267m as a result of being able to establish upward and downward revaluations separately as opposed to netting off.
- Other Land Buildings – Additions - £2.3m and £389k as a result of two projects being previously classed as Assets Under Construction and Community Assets.
- Other Land and Buildings – reduction of £2.1m as a result of land relating to a Trust school still being included in the balance incorrectly. Actual value of land removed was £149K, difference in write out to CIES and RR
- Other land and Buildings – included £2.4m which should have been classified as Assets Under Construction and £4.6m which should have been moved from Assets under construction to other land and buildings in 2010/11. These amounts have been moved to the correct category.

- The amendments highlighted have all been reviewed and accounting treatment, valuations and movements tested. We have concluded that the entries have all been processed correctly in the 2011/12 accounts. The result is a net increase in asset balances of £53K for 2010/11.

As part of this exercise, the Council identified one asset which had been classified as a Community Asset in 2010/11. Upon further investigation it was found that this asset was an operational office space – East End office space, and should have been classified under Other Land and Buildings. The East End asset had been fully depreciated over the course of five years and had a nil book value. This accounting treatment is correct for an operational asset but not for one that is classified as a Community Asset. In effect, the asset had been accounted for correctly, but was included in the incorrect classification. The asset has now been moved to the Other Land and Buildings category in 2011/12 - this is the correct classification. However, in accordance with the Council's valuation policy all operational assets are revalued every five years. The East End office space asset has not and needs to be. The Council have added this asset to the revaluation programme for 2012/13. It is unlikely that the asset would be valued at a material amount given the size of the asset and current economic conditions. We do however; recommend that the Council ensure that it is revalued in 2012/13.

Assets Under Construction
£4.9m was incorrectly transferred out of Assets under Construction to Other Land and Buildings during 2011/12. The asset had not been completed and this amount should have remained in Assets Under Construction. An amendment has now been made to transfer this amount back to the correct category.

Accounting for Academy Schools
In 2010/11 the Council accounted for seven schools that had moved to academy status. The Council correctly impaired the values down in other land and buildings from £61m to nil which is the accounting treatment required when a school moves to academy status and out of the Local Authority control. However, the Council did not disclose the impairment as impairment, but incorrectly as a reduction in valuation.

In the 2011/12 accounts, the Council then sought to remove the assets GBV and Acc Depreciation and impairment from the Disclosure note. This was shown as disposals on the disclosure. An additional in year spend of £7m and matching impairment was also written out as disposals increasing the value to £68m. As the assets were leaving the Council's control rather than being offered to the market, the correct accounting disclosure to remove the balances from the note would be to show as other movement rather than disposals.
The Council have now amended the disclosure note to the Balance Sheet to show the brought forward amount as an impairment and moved the £68m from the disposals line to other movement. There is no impact upon the net assets of the councils as the asset values had already been impaired down to nil.

Given the issues faced with the balances for Property, Plant and Equipment this year we recommend that the Council perform a detailed review the transactions in the balance sheet and associated notes prior to submission for audit in 2012/13.
The Council will need to ensure that the East End office space is revalued in 2012/13.

Audit Fees
Our audit identified that the amounts paid to ourselves as external auditors had been incorrectly disclosed. The Council have amended the accounts to show the correct audit fees payable as follows:

- Main audit fee has been amended from £309k to £302k.

- Grants fee (estimate) has been amended from £106k to £80k – estimate for 2011/12 is now disclosed correctly as £52k

Post Balance Sheet Event

In 2011/12 the Council agreed to be the accountable body for the funds relating to the Local Enterprise Partnership (LEP) for the Devon wide initiative. The total amount of grant received by the Council for the LEP was £21m and has been included in the accounts as an amount within the cash balance. A corresponding creditor was established to ensure that there was no overall impact upon the Council's reported funds for the year. On 4 August 2012, Devon County Council agreed to take over the accountable body responsibility for this fund. As a result, Plymouth transferred the £21m on 6 August 2012 to Devon County Council. The Council have added a post balance sheet event to this effect.

Unadjusted Misstatements

Impairment of Icelandic Bank balances

As in previous years, the Council have deviated from the guidance provided by CIPFA in their LAAP bulletins. For 2011/12, new guidance was issued in LAAP 82 bulletin which identified that Councils who had investments with Icelandic banks prior to their collapse should account for any income received in year. The guidance issued in May 2012, identified that Council's account for the estimated return of investments from Glitnir and Landisbanki in full setting out a period of time when the proportions would be paid.

The Council have accounted for the actual payments made in year. This totals £1.284m and the original impairment of £5.9m has been reduced by this amount. Of the £1.284m, £636k was received after the end of the year. The Council originally classed this as a post balance sheet event. We did not agree that the receipt of this income was fundamental enough to be classed as a post balance sheet event and the Council have now amended the wording in the disclosure note.

The Council have made full disclosure of their approach and the amounts received in year. If the Council were to include the full amount owed to them there would be a reversal of the loss of £3.467m in investment income accounted for in the financial statements. As the Council has not followed the guidance set out in the LAAP bulletin, we have raised this as an unadjusted mis-statement for those charged with governance to consider.

We recommend that the Council complies with LAAP guidance on the accounting for the impairment of Icelandic Banks investments.

Pre 2000 Council Tax debt - write off

As a result of our recommendation made in the 2010/11 ISA260 report the Council has agreed to write off the long term debt related to Council Tax. This amount is £4.742m and has been fully provided for in past years' accounts. However, the Council has continued to receive payments in relation to this debt, and have agreed that they will revise the outstanding figure once this information is known and write out the debt in 2012/13. We would emphasise that writing off the debt does not preclude the Council from continuing to chase and recover outstanding amounts but presents a clearer position in relation to the level of debts likely to be recovered.

We recommend that the Council should write out the final figure for Council Tax debt prior to 2000.

Reconciliation of Payroll to the General Ledger

The Council do not perform routine reconciliations between the payroll system and the general ledger. The automated process is checked by the payroll manager each month in order to verify that the correct figure has been posted to the general ledger but there is no official control account or reconciliation.

We have attempted to reconcile the transactions processed between the Payroll system and the general ledger. Our work identified that the Payroll system totalled £1.7m more than the figure within the general ledger. We have requested that management review this reconciliation and aim to rectify this imbalance prior to us issuing our opinion. Management are in the process of performing additional work.

We recommend that monthly reconciliations are performed between the payroll system and the general ledger and formally reviewed.

Governance Arrangements between Plymouth City Council and Cornwall County Council

We reviewed the transactions relating to the Tamar Bridge accounts as part of our audit. As part of this review we examined the accounting treatment for the loan. Plymouth are liable for 50% of this loan in accordance with the 1957 Act. The Council have correctly included 50% liability for the loan taken out by Cornwall Council on behalf of the Tamar Bridge and Torpoint Ferry Joint Committee as the Committee is not a legal entity and therefore cannot obtain loan debt. Under the Joint Operation agreement and the 1957 Act, Plymouth Council has to account for 50% of the outstanding debt on this loan. This currently amounts to £8.9m. Following the adoption of the balances in the single entity accounts, neither Council have formalised the roles and responsibilities of assets, liabilities and accounting technicalities. We therefore recommend that a formal memorandum of understanding is drafted and agreed and adopted by the Cabinet at both Councils.

Other Statutory audit requirements

In accordance with ISA600 – Special considerations - audit of group financial statements, we are required to perform an audit of the figures submitted by the Council to the National Audit Office to conform with the requirements of Whole of Government Accounts. We are currently in the process of completing this work and will update Members on the outcome at the Audit Committee on 27 September 2012.

Evaluation of key controls

Internal Controls

We have undertaken sufficient work on key financial controls for the purpose of designing our programme of work for the financial statements audit. We reported our findings of our internal control work in our interim report to the Audit Committee in June 2012.

Journal entry controls

Journals are used to process manual changes to data within the financial ledger. The Council has procedures in place that define which members of staff may input journals. However, as highlighted in our audit risk assessment, the Council do not have adequate procedures in place to evidence the authorisation of journals processed.

As a result of our risk assessment we tested a sample of 137 journals processed by the Council to ensure they have been appropriately posted and are supported by relevant information. We concluded from this testing, that the journals reviewed had been appropriately posted and supported by relevant information.

Review of Information Technology

We performed a high level review of the general information technology (IT) control environment as part of the overall review of the internal control system and concluded that there were no material weaknesses within the IT arrangements that could adversely impact on our audit of the accounts. Our audit did not identify any issues that would pose a risk to the accounts.

Head of internal audit opinion

The Head of Internal Audit has issued his opinion on the effectiveness of the system of internal control and provided a reasonable level of assurance in respect of the areas reviewed during the year.

Management of the risk of fraud

We have sought assurances from the Head of Finance and the Chair of the Audit and Governance Committee in respect of processes in place to identify and respond to the risk of fraud at the Council. From these enquiries we have established that those charged with governance have sufficient oversight over these processes to give them the assurances they require in regard to fraud.

In the course of our accounts audit work, we did not uncover any evidence of fraud or previously undisclosed control weaknesses which might undermine the Council's process for mitigating the risk of fraud.

Annual Governance Statement

We have examined the Council's arrangements and processes for compiling the Annual Governance Statement (AGS). In addition, we have read the AGS and considered whether the statement is consistent with our knowledge of the Council.

We reviewed the draft AGS and, following additional disclosure in respect of whether financial management arrangements comply with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government, we consider the document to be satisfactory in terms of content, a fair representation of Council operations during the year and in line with the Code.

Public questions

The Audit Commission Act 1998 gives electors certain rights:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

We have not received any public questions on the 2011/12 accounts.

We have been provided with certain information which relates expenditure charged to capital within the Highways and Transport Service. We are in the process of performing additional work in this area and will update Members at the Audit Committee.

Next steps

The Audit Committee is required to approve the financial statements for the year ended 31 March 2012. In forming its conclusions the Committee's attention is drawn to the adjustments to the financial statements and the required Letter of Representation.

3 Value for money

Value for money conclusion

The Audit Commission Code of Audit Practice 2010 describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

For 2011-12 we are required to give our conclusion based on the following two criteria specified by the Audit Commission:

- the Council has proper arrangements for securing financial resilience
- the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness

In order for us to provide an unqualified conclusion, the Council needs to demonstrate proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources.

We expect to present an unqualified Value for Money Conclusion in regard to the Council's arrangements to ensure economy, efficiency and effectiveness in its use of resources.

Programme of work - review of proper arrangements

Ours work has encompassed a review against proper corporate performance and financial management arrangements as defined by the Code. We have also performed a review of the achievement of strategic priorities, management arrangements for waste and a follow up of 2010/11 VFM recommendations. The findings from our reviews are detailed below:

Code criteria	Work completed	Conclusion
Having a sound understanding of costs and performance and achieving efficiencies in activities	Considered as part of our risk assessment of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and our financial resilience review.	Proper arrangements considered to be in place
Reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people	Reviewed as part of financial resilience work and our audit of the financial statements	Proper arrangements considered to be in place
Commissioning and procuring services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money	Considered as part of our risk assessment of the Council's arrangements to prioritise resources and improve efficiency and productivity	Proper arrangements considered to be in place.
Producing relevant and reliable data and information to support decision making and manage performance Priorities	Considered as part of our risk assessment of the Council's arrangements to prioritise resources and improve efficiency and productivity and our financial resilience review	Proper arrangements considered to be in place – recommendations made to improve reporting on the achievement of strategic priorities and objectives linked to financial and performance planning

Code criteria	Work completed	Conclusion
Promoting and demonstrating the principles and values of good governance	Considered in our review of the Council's Financial Resilience, our review of the Annual Governance Statement and the review of the achievement of strategic priorities	Proper arrangements considered to be in place
Managing risks and maintaining a sound system of internal control	Considered in our review of the Council's arrangements to secure financial resilience and our review of the Annual Governance report	Proper arrangements considered to be in place – recommendations made to improve the progress reporting of Internal audit.
Making effective use of natural resources	Considered as part of our risk assessment of the Council's arrangements to make effective use of natural resources	Proper arrangements considered to be in place waste management arrangements are robust and will be further enhanced through improved reporting on waste management as a result of the energy from waste initiative.
Managing assets effectively to help deliver strategic priorities and service needs	Considered as part of our review of the Councils s achievement of strategic priorities.	Proper arrangements considered to be in place
Planning, organising and developing the workforce effectively to support the achievement of strategic priorities	Considered as part of our review of the Council's achievement of strategic priorities and financial resilience.	Proper arrangements considered to be in place. Recommendations made to review the sickness absence level of the current workforce.

Securing financial resilience and economy, efficiency and effectiveness

As part of the work informing our 2011-12 Value for Money (VFM) conclusion we have considered whether the Council has appropriate financial systems and processes in place to manage its financial risks and opportunities and to ensure that there are robust medium to long term financial planning arrangements to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

- key indicators of financial performance;
- its approach to strategic financial planning;
- its approach to financial governance; and
- its approach to financial control.

Our overall conclusion was that the Council has sound arrangements in place. Our review identified a small number of areas where these could strengthened further. We recommend that the Council improve the information provided to Cabinet linking performance against targets, medium term financial planning and monitoring and the achievement of strategic priorities so that the progress made against the corporate plan is more transparent in the future.

Key Indicators of Performance

in 2011/12 we used the Audit Commission benchmarking tool which analyses key indicators for 2009/10 and 2010/11. Where possible, we updated this information from our knowledge of the 2011/12 audit work e.g. working capital and sickness absence. Our analysis indicated that Plymouth have followed the performance trends for its benchmark group across the majority of areas, with the exception of the working capital ratio.

Working capital – a prudent working capital ratio of 2:1 is recommended to ensure immediate liabilities can be covered. At 1.21:1 for 2010/11, the Council is some way short of this prudent target. The 2011/12 financial statements show that this ratio has deteriorated further to 1.09:1 Management have concluded that there is no obvious reason for this other than it is in accordance with the Council's treasury management strategy.

We have made specific recommendations to encourage the council to continue to review the working capital position over the medium term. The Council will continue to do this in line with the Treasury Management Policy.

Sickness absence at 8.7 days is still higher than the target of 6 days, but is improving from the 2009/10 average level of 10 days per employee. The Council are continuing to work on this area and reviewing the target level of 6 days to ensure that consideration is given to the possible disparity of working requirements between manual and clerical staff.

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Strategic Financial Planning

The Council has strong arrangements in place to plan the finances of the council over the next three years. In particular, its strategic financial planning incorporates finance and performance management reporting, scenario planning on income and expenditure levels, considered central government funding, and income levels linked to corporate priorities and targets for NNDR, council tax and fees and charges. The Medium Term Financial Plan is a comprehensive document modelled on the achievement of corporate priorities and objectives. Consideration has been clearly given to the financial challenges beyond 2012/13 with an appreciation that financial plans will need to be continually revised to address developments both locally and on a national level.

We have recommended that the Council reconsider the use of zero based budgeting as a more effective approach. A review of the budget setting process will take place during the 2012/13 financial year - this is an opportune time to evaluate the budget setting process. We have also suggested expanding the use of scenario planning to capital and treasury management reviews.

Financial Governance

The council has sound governance arrangements for financial planning and monitoring and reporting. In 2011/12 the council introduced a scrutiny regime to plan and agree the budget for the forthcoming year with officers, members and, importantly, key partners. The arrangements included away days for members and officers with members being given the opportunity to challenge draft budgets prior to their finalisation, ensuring that savings plans and budgets were closely linked to corporate plans and visions. We have suggested improvements to the reporting of performance data, in particular, we have recommended that the Council now moves towards better integration of performance reporting and using this to highlight the achievement of the Corporate objectives.

Financial Control

The Council has a good track record of achieving its planned budget. The Council reported a planned overspend of £113k in the draft financial statements for 2011/12. We found the budget setting process to be robust involving senior officers, members and partner organisations with a well-developed challenge process The Council has achieved its savings target of £20m for 2011/12 although recurrent savings are still required in order to deliver the medium term financial stability of the council.

Internal audit provide a good service that meets the CIPFA standards. During the course of the year, as detailed in our interim report, we have recommended that Internal audit improve the reporting of progress against plan to the Audit Committee and we continue to work with the Devon Audit Partnership and the Audit Committee to ensure that detailed information is reported to Members.

Further details from our review will be reported separately.

Overall review of the Council's achievement of strategic Priorities.

Our audit plan included a review of the Council's ability to achieve its overall strategic priorities and objectives. Our work reviewed this in conjunction with the achievement of performance targets and service redevelopment.

We concluded that the Council has made sound progress over the past year to ensure that corporate priorities and plans are acted upon and we recognise the successes achieved by the council particularly in the Revenues and Benefits service. In particular, the Council has appropriate arrangements in place to identify high cost / low performance areas and where additional efficiencies are required, and can be delivered, within the context of the strategic priorities.

We recommended that the Council:

- could further improve service delivery plans by highlighting the transparency of the links with the Councils priorities. In particular, there is the opportunity to expand the current resource delivery plans to demonstrate how existing resources, and not just savings, are allocated to directorates to deliver on priorities;
- has scope to further improve the information presented to members to show how the Council is achieving against their top level priorities and any further actions that may be required to ensure their successful delivery;
- expand upon the information reported through the quarterly finance and performance outturn reports on the actual achievement of the top level objectives; and
- could consider increasing the transparency of the information around the shared priorities where there is scope to produce updates on how it is working on delivering these and therefore the progress made, to date, on achieving the strategic outcomes.

Follow up of 2010/11 Recommendations

In 2010/11 we reviewed the Procure to Pay and Project Management processes within the Council.

Following our review we issued two separate reports which included recommendations agreed by management.

Procure to Pay Review

In 2010/ 11 we made fourteen recommendations which management agreed to implement. We are pleased to note that improvements have now been made to the project structure and governance arrangements, the role of the project manager and project budgeting. The project risk register now includes a RAG rating assessment for main and residual risks. Services now understand the importance of ensuring that there are clear specifications communicated to buyers and whole life costing is now further considered. The Council have yet to implement four recommendations and are in the process of reviewing these and timetabling revised dates. These recommendations are in the following areas:

- an issues log that includes all issues for Procure to Pay schemes
- the development of a project communication plan
- monitoring of the Procure to Pay savings target; and
- the development of benefit profiles

Project Management Review
In 2010/11 we agreed ten recommendations with management aimed at improving procedures and processes, clarification of the role of managers, understanding and learning from outcomes publicising successes and developing an accommodation strategy. We are pleased to note that management have implemented seven of these recommendations and have agreed to implement the remaining three by March 2013.

We have discussed these findings with management and our work and conclusions are contained in our more detailed report.

Overall Conclusion
We are currently performing additional work following further information that has been brought to our attention. We will update our assessment on value for money once this work has been completed.

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A The reporting requirements of ISA 260

Purpose of report
The purpose of this report is to highlight the key issues affecting the results of the Council and the preparation of the Council's financial statements for the year ended 31 March 2012.

The document is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK and Ireland) 260.

We would like to point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the Council.

This report is strictly confidential, and although it has been made available to management to facilitate discussions, it may not be taken as altering our responsibilities to the Council arising under the terms of our audit engagement.

The contents of this report should not be disclosed with third parties without our prior written consent.

Responsibilities of the Council and auditors
The Council is responsible for the preparation of the financial statements and for making available to us all of the information and explanations we consider necessary. Therefore, it is essential that the Council confirm that our understanding of all the matters in this report is appropriate, having regard to their knowledge of the particular circumstances.

Clarification of the roles and responsibilities with respect to internal controls
The Council's management is responsible for the identification, assessment, and management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the Audit Committee that it has done so.

The Audit Committee is required to review the Council's internal financial controls. In addition, the Audit Committee is required to review all other internal controls and approve the statements included in the annual report in relation to internal control and the management of risk.

The Audit and Governance Committee should receive reports from management as to the effectiveness of the systems they have established as well as the conclusions of any testing conducted by internal audit or ourselves.

We have applied our audit approach to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of testing, we identify any control weaknesses, we will report these to you.

In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We would be pleased to discuss any further work in this regard with the Audit Committee.

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the integrity and objectivity of the engagement team
- nature and scope of the audit work
- significant findings from the audit

Independence and robustness

Ethical standards require us to give you full and fair disclosure of the matters relating to our independence. In this context we ensure that:

- the appointed audit partner and audit manager are subject to rotation every seven years;
- Grant Thornton, its partners and the audit team have no family, financial, employment, investment or business relationship with the Council;
- our fees paid by the Council do not represent an inappropriate proportion of total fee income for either the firm, office or individual partner; and
- at all times during the audit, we will maintain a robustly independent position in respect of key judgement areas.

Audit and non-audit services

Services supplied to the Council for the year ended 31 March 2012 are as follows:

	£
Audit services	
Financial statements and Value for Money	302,380
Certification of claims and returns (estimate)	50,000

Audit quality assurance

Grant Thornton's audit practice is currently monitored by the Audit Inspection Unit, an arm of the Financial Reporting Council which has responsibility for monitoring the firm's public interest audit engagements.

The audit practice is also monitored by the Quality Assurance Directorate of the ICAEW.
Grant Thornton also conducts internal quality reviews of engagements.

Furthermore, audits of public interest bodies are subject to the Audit Commission's quality review process.

We would be happy to discuss further the firm's approach to quality assurance.

B Audit adjustments

Adjustment type
Misstatement - A change in the value of a balance presented in the financial statements
Classification - The movement of a balance from one location in the accounts to another
Disclosure - A change in the way in which a balance is disclosed or presented in an explanatory note

Adjustments to the financial statements

Adjustment type	£000	Account balance	Impact on financial statements
Disclosure	68,000	Academy Schools	Disclosure only – reduction of revaluation value of £68m 2010/11 note 12 Increase in impairment of £68m 2010/11 note 12 Decrease disposal disclosure amount £68m note 12.1
Disclosure	Various	Errors identified for 2010/11 balances across PPE, Surplus assets and Assets held for sale notes.	Disclosure note added to explain movement posted in 2011/12 for 2010/11 errors in PPE balances for other land and buildings, Assets Under Construction. Also added to the Surplus Assets and Assets held for Sale notes.
Misstatement	4,400	Assets Under Construction Other Land and Buildings	Increase of £4.4m Decrease of £4.4m No impact on overall PPE balance
Disclosure	7	CIES Audit Fees	Decrease main audit fee in disclosure by £7k
Disclosure	26	CIES Audit Fee	Decrease audit fee Certification fee £26k
Disclosure	52	Audit Fees	Identify the estimate for Certification work for 2011/12 separately as £52k being part of the £81k in the note.
Disclosure	21000	Creditors Cash Investments	Post Balance sheet Event only – add in disclosure of a PBSE that the LEP funding has now transferred to Devon County Council.

Adjustment type	£000	Account balance	Impact on financial statements
Disclosure	N/A	Pension fund disclosure note 35.11	No effect on primary financial statements. Updated disclosure only to include the correct discount rate of 4.6% not 5.5%
Disclosure	N/A	Tamar Bridge Pension note 35.11	Updated to include pension increase rate of 4.6% and not inflation.
Disclosure	N/A	Icelandic banks disclosure note	No effect on accounts – disclosure note amended to state that the £636k received after 31 March 2012 is not a post balance sheet event.
Disclosure	19,000	Heritage assets Note 13	No effect on accounts – disclosure note only – revised to include reference to how heritage assets have been valued and how donated assets are valued.
Disclosure	N/A	Employee Remuneration note – Tamar Bridge	2010/11 banding £50-£55k movement of 72k to 71k 2010/11 banding £60-£65k movement of 43-42 2011/12 banding £50-£55k movement if 61-60

Unprocessed adjustments to the financial statements

Adjustment type	£000	Account balance	Impact on financial statements
Misstatement	£3,467	**Icelandic Banks**	Investment balances would increase £3.467m CIES reversal of impairment (loss) £3.467m Associated entries in in the MIRS and CAA.
Write off of debt	£4,700	**Bad debt provision – Council Tax**	Disclosure note outlining the bad debt provision and details of the Council Tax debt.

C Action Plan

Rec No	Recommendation	Priority	Management Comments	Implementation date and responsibility
1	**Property Plant and Equipment** We recommend that finance management review the accounting entries for the Property, Plant and Equipment balances within the main financial statements and disclosure notes prior to submission for audit in 2012/13.	High	Agreed. This year end has been particularly challenging with both the full implementation of the Tech Forge system (fixed asset database) being finalised together with changes to the Code of Practice relating to Heritage Assets; and the subsequent restatements linked to this. In addition further work has been undertaken in relation to ISA260 recommendations from 2010/11 relating to reconciliation of the Finance Module of Tech Forge and review of Community Assets. Both of these issues have meant corrections to Fixed Asset categorisation. Officers have worked closely with the external auditor to ensure that assurance can be placed on the integrity of the fixed asset database. Officers will be working with the software supplier to improve the robustness and accuracy of the reporting functions within the Tech Forge system, specifically in relation to asset category transfers. This was exceptionally time-consuming to analyse the data manually in the absence of bespoke reports. The latest upgrade of the software deals with some of the issues identified and will be installed shortly. The remaining issues will be progressed over the coming months.	June 2013 (for 2012/13 Draft Statement of Accounts) Group Accountant (Corporate Technical
2	**Council Tax write off** The Council should write out the Council Tax debt in 2012/13 once it has been established how much further funds have been received in relation to the £4.7m	High	Agreed. Officers will continue work required in relation to writing out pre-2000 Council Tax debtors during the current financial year. As this debt is fully provided for there will be no net impact on the either the Collection Fund or the Council's overall financial position. The write off of these debts will be completed and managed within the	31 March 2013 Strategic Finance Manager

Rec No	Recommendation	Priority	Management Comments	Implementation date and responsibility
			framework of our current financial regulations, and the associated bad debt provision reduced as appropriate	
3	**Payroll Reconciliation to the General Ledger** We recommend that the Council perform formal reconciliations between the payroll system and the general ledger on a monthly basis.	High	Agreed. The current Payroll system does not post 'control' entries into the General Ledger and this has been the case since it was implemented in 2006. Assurance on the integrity of the data is gained via monthly reconciliation of the interface between the Payroll system and the General Ledger but it is acknowledged that this could be further strengthened by direct reconciliation between the two systems. The authority is currently in the process of implementing a new Payroll system and, as part of this Officers, will ensure that mechanisms are in place to enable regular reconciliation of the Payroll system and the General Ledger. Initial discussions on this have already taken place with the Payroll System Implementation Project Team.	Per schedule for Payroll system Implementation, currently November 2012 Strategic Finance Manager
4	**Impairment of Icelandic Banks investments** We recommend that the Council consider compliance with LAAP guidance on the accounting for the impairment of Icelandic Banks investments	Medium	For 2011/12, the Council has used a prudent approach in calculating the impairment adjustment within the accounts due to the continued uncertainty over the level of future recovery. The LAAP guidance assumes collection rates of 86%, 100% and 100% for the recoveries for Heritable, Landsbanki and Glitnir respectively. There continues to be uncertainty, however, over whether these levels of recovery will be achieved and therefore impairments have been made in line with actual receipts rather than those anticipated. Officers will continue to monitor the recovery during 2012/13 and make appropriate judgements in terms of the accounting entries accordingly.	31 March 2013 Director for Corporate Services
5	**Governance Arrangements for the Tamar Bridge and Torpoint Ferry Joint Operation** Following the adoption of the accounts into the single entity statements in 2011/12, we		Agreed. Officers from the Council will progress this with the respective Officers from Cornwall Council. A review of all TBTFJC governance arrangements between the two Councils is already in progress, and these issues will be addressed through this forum.	31 March 2013 Head of Finance

Rec No	Recommendation	Priority	Management Comments	Implementation date and responsibility
	recommend that both Cornwall County Council and Plymouth City Council draft a memorandum of understanding that formalises the respective roles and responsibilities in relation to assets, liabilities, income and expenditure. This document should be formally adopted by Cabinet members at both Councils.			
6	**East End Office space – revaluation** The Council will need to ensure that the East End office space is revalued in 2012/13.	Medium	Agreed - this has already been included as part of the 2012/13 revaluation programme.	March 2013 Strategic Finance Manager

D Follow-up of prior year issues

2010-11 recommendation	Priority	Management comments	Further audit comments
1 Fixed asset register The new fixed asset register should be populated as soon as possible and a clear description of each asset should be included. A periodic reconciliation should be carried between the asset register and the Council's general ledger	High	Agreed Implementation of the new data base is continuing, and the property element of the data base has recently gone live. The final reconciliations with the finance modules will now be undertaken including a review of the asset description.	The asset register has now been fully populated and updated. Data validation has taken place which has highlighted some errors in asset balances from previous years and these have now been amended in the 2011/12 financial statements as detailed above in Section 1.
2 Historic council tax debtors Council tax debtors relating to pre-2000 should be written off and the bad debt provision reduced accordingly	Medium	Agreed The write off of these debts will be completed and managed within the framework of our current financial regulations, and the associated bad debt provision reduced as appropriate.	The Council are currently reviewing the amount of funds received in 2011/12 which will reduce this debt. Once this information has been obtained, the council will write off the debt in 2012/13. We have made recommendations to this effect in the above action plan.

2010-11 recommendation	Priority	Management comments	Further audit comments
3 Bad debt provision The bad debt provision should be reviewed to ensure that it is based on a review of individual debtors and then on historic collection rates.	Low	Agreed The Council has a number of bad debt provision accounts for various types of debt. For the majority of these debts, a full review of debtors is undertaken and the bad debt calculated accordingly. Problems with obtaining the information in the required format from the NNDR academy computer system meant the provision was based on an estimated percentage collection rate due to time constraints to produce the accounts. Work with the relevant suppliers has been undertaken to ensure the information will be available when required for future years, and this will enable a more detailed analysis of the individual debtor debts to be undertaken. However, due to differences in the operation of the collection fund which is based on estimated future collection rates and pro-rata'd across preceptors any impact on the final bad debt provision value is likely to be minimal	Bad debt provisions have been reviewed. NNDR debt calculations have been based upon more detailed information.

2010-11 recommendation	Priority	Management comments	Further audit comments
4 Community assets All assets currently classified as 'Community Assets' should be reviewed to ensure that they are classified correctly and accounted on the correct	Medium	Agreed During 2010-11, Officers concentrated on the reclassification of Property Plant and Equipment assets, and leases, to deliver the accounts on an IFRS basis. Work has already commenced on the review of Community Assets in preparation for implementation of the new category of Heritage Assets from 1 April 2011, and some reclassifications have been made to the 2010-11 accounts in agreement with the auditor	The Council have performed a detailed review of community assets which has resulted in some assets being reclassified as heritage assets in accordance with IAS30. There have also been a number of amendments made in 2011/12 in relation to 2010/11 balances to take into account reclassifications between community assets and other asset types as a result of this exercise. None of these are material in nature and are not fundamental enough to constitute a prior year adjustment. The Council have disclosed the movements in the 2011/12 financial statements.
5 Tamar Bridge and Torpoint Ferry Joint Committee The Council, in partnership with Cornwall Council, should re-assess its accounting treatment of the Joint Committee to determine whether it should be incorporated within the sin	Medium	Agreed This will be re-assessed with Cornwall Council and the external auditors in 2011-12.	In 2011/12 the Tamar Bridge and Torpoint Ferry balances were integrated into the single entity accounts for Plymouth City Council and Cornwall County Council. A Prior Period Adjustment was made for 2009/10 and 2010/11.

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17 September 2012

Dear Bob

ANNUAL AUDIT FEE 2012-13

I am writing to confirm the audit work that we propose to undertake for the 2012-13 financial year at Plymouth City Council (the Council) and the associated fee. This is based on the Audit Commission's work programme and scale of fees for 2012-13 published in April 2012.

Following the conclusion of the Audit Commission's procurement exercise to outsource the work of its audit practice, the Audit Commission has been able to secure significant reductions in the cost of audit services and are passing on reductions of 40 per cent in audit fees for local government bodies. As in previous years, the Audit Commission publishes its work programme and scale of fees on a national basis, and it has published the scale fee for each local government organisation. The fee for the Council has been determined as £181,428 (exclusive of VAT) and will be fixed at this level for five years.

The Audit Commission has announced the replacement of the previous arrangements for certification fees based on hourly rates with a composite indicative fee. The published indicative fee for the Council is £23,900. This is based on certification fees for 2010-11 adjusted to reflect the fact that a number of schemes will no longer require certification, and incorporating a 40 per cent reduction.

Audit fee

Audit area	Proposed fee 2012-13	Actual fee 2011-12
Financial statements and value for money conclusion	£181,428	£301,995
Certification of claims and returns	£23,900 (indicative)	£50,0000 (estimate)

Our value for money work will be based upon the two reporting criteria specified by the Audit Commission:

- whether the Council has proper arrangements in place for securing financial resilience; and
- whether the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

This work will be underpinned by a robust risk assessment to ensure that we focus on those areas where we need specific assurance in order to give our value for money conclusion or where arrangements at the Council need to be strengthened.

We will issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 1.

The proposed fee excludes any work that may be requested by you that we agree to undertake using our advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The contact details for key members of the audit team for 2012/13 are:

Engagement Lead	Barrie Morris	0117 305 7708
Senior Manager	Geraldine Daly	0117 305 7784

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact the Head of Government Audit, Sarah Howard at sarah.howard@uk.gt.com.

Yours sincerely

Barrie Morris

BARRIE MORRIS
Director and Engagement Lead
For Grant Thornton UK LLP

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CC Adam Broome; Director for Corporate Services

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Table 1

Planned output	Indicative date
Audit plan	January 2013
ISA260 report to those charged with governance	September 2013
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2013
Value for money conclusion report	September 2013
Annual audit letter	November 2013
Certification work report	December 2013

Audit Committee Work Plan 2012/13

		2012							2013					
Item	Cabinet Member / Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Internal Audit Annual Report (including six month Internal Audit Progress Report - Dec)	Cllrs Lowry and Peter Smith / DfCS	21						13						√
Statement of Accounts 2011/12	Cllrs Lowry and Peter Smith / DfCS	21			27									√
Operational Risk Management - Update Report	Cllrs Lowry and Peter Smith / DfCS (Mike Hocking)	21						13						√
Risk Management Annual Report	Cllrs Lowry and Peter Smith / DfCS (Mike Hocking)	21												√
Annual Governance Statement	Cllrs Lowry and Peter Smith / DfCS (Mike Hocking)	21												√
RIPA Surveillance Report	Richard Woodfield							13						

Audit Committee Work Plan 2012/13

		2012							2013					
Item	Cabinet Member / Lead Officer	**J**	**J**	**A**	**S**	**O**	**N**	**D**	**J**	**F**	**M**	**A**	**M**	**J**
Strategic Risk Register Monitoring Report	Cllrs Lowry and Peter Smith / DfCS (Mike Hocking)				27								14	
Internal Audit Annual Plan	Cllrs Lowry and Peter Smith / DfCS (Sue Watts)												14	
Interim Report and Update to Financial Audit Plan 2010/2011	External Auditor Grant Thornton				27									
Annual Report to Those Charged with Governance (ISA260 Report) 2011/2012	External Auditor Grant Thornton				27									
Financial Resilience Review	External Auditor Grant Thornton							13						
Project Management Review	External Auditor Grant Thornton				27									

Audit Committee Work Plan 2012/13

		2012							2013					
Item	Cabinet Member / Lead Officer	**J**	**J**	**A**	**S**	**O**	**N**	**D**	**J**	**F**	**M**	**A**	**M**	**J**
Annual Audit Letter 2011/2012	External Auditor Grant Thornton							13						
Certification Work Report 2012/2013	External Auditor Grant Thornton							13						
Audit Plan 2012/2013	External Auditor Grant Thornton										14			
Audit Fee Letter 2012/2013	External Auditor Grant Thornton										14			
Actions from previous meeting (21.06.12) – • Audit Commission consultation; • Recruitment of Independent Member; • Report on red risks – why they have moved to red • Training for members	Lead Officer/DSO				27									

Audit Committee Work Plan 2012/13

		2012							2013					
Item	Cabinet Member / Lead Officer	**J**	**J**	**A**	**S**	**O**	**N**	**D**	**J**	**F**	**M**	**A**	**M**	**J**
Review of rolling workplan	Lead Officer/DSO	21			27			13			14			√