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## **Democratic Support**

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## **AUDIT COMMITTEE**

Thursday 25 September 2014  
2.00 pm  
Council House (Next to the Civic Centre), Plymouth

### **Members:**

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

### **Independent Members:**

Mr Clarke and Mr Stewart.

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

### **Tracey Lee**

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 - 10)**

To confirm the minutes of the meeting held on 26 June 2014.

#### **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. AUDIT PLAN 2013/2014 PROGRESS REPORT**

**(Pages 11 - 24)**

Members will be provided with the Audit Plan 2013/ 2014 Progress Report.

#### **6. ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE 2013/2014 (ISA260 REPORT) INCLUDING THE VALUE FOR MONEY CONCLUSION**

**(Pages 25 - 64)**

Members will be provided with the Annual Report to Those Charged With Governance 2013/ 2014 (ISA260 REPORT) including the Value for Money Conclusion.

#### **7. CERTIFICATION PLAN**

**(Pages 65 - 72)**

Members will be provided with the Certification Plan.

#### **8. CHANGE OF EXTERNAL AUDITORS**

**(Pages 73 - 76)**

Members will be provided with a report on the Change of External Auditors.

**9. STATEMENT OF ACCOUNTS 13/14 (Pages 77 - 172)**

Members will be provided with a copy of the Statement of Accounts 2013/2014.

**10. STRATEGIC RISK AND OPPORTUNITY MANAGEMENT REGISTER MONITORING REPORT (Pages 173 - 188)**

Members will be provided with the Strategic Risk and Opportunity Management Register Monitoring Report.

**11. INFORMATION ASSET ANNUAL REPORT (Pages 189 - 196)**

Members will be provided with the Information Asset Annual Report.

**12. ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITIES FOR 2013/14 (Pages 197 - 218)**

Members will be provided with the Annual Report on Treasury Management Activities for 2013/14.

**13. INTERNAL AUDIT PROGRESS REPORT (Pages 219 - 236)**

Members will be provided with the Internal Audit Progress Report.

**14. INTERNAL AUDIT FOLLOW UP WORK (Pages 237 - 252)**

Members will be provided with the Internal Audit Follow Up Work Report.

**15. REVISED GOVERNANCE ARRANGEMENTS FOR THE TRANSFORMATION PROGRAMME (Pages 253 - 256)**

Members will be provided with the Revised Governance Arrangements for the Transformation Programme.

**16. REVIEW OF ROLLING WORKPLAN (Pages 257 - 260)**

Members will be provided with the 2014/2015 Workplan.

**17. STATUS REPORT ON THE CIVIC CENTRE (Pages 261 - 276)**

Members will be provided with the Status Report on the Civic Centre.

**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.

#### **19. STATUS REPORT ON CIVIC CENTRE (E3) (Pages 277 - 284)**

Members will be provided with the Status Report on the Civic Centre.

## **Audit Committee**

**Thursday 26 June 2014**

### **PRESENT:**

Councillor Wheeler, in the Chair.

Councillor Dr. Mahony, Vice Chair.

Councillors Hendy (substitute for Councillor Murphy), John Smith (substitute for Councillor Stevens) and Stark.

Independent Members: Mr I Stewart and Mr R Clarke.

Apologies for absence: Councillors Murphy and Stevens.

Also in attendance: David Bray (Senior Audit Manager for Grant Thornton), David Curnow (Deputy Head of Devon Audit Partnership), Brenda Davis (Audit Manager), Chris Flower (Group Accountant), John Golding (Engagement Lead for Grant Thornton), Mike Hocking (Head of Corporate Risk and Insurance), David Northey (Head of Corporate Strategy), Helen Rickman (Democratic Support Officer) and Zoe Wilkinson (Lead Accountant).

The meeting started at 2.00 pm and finished at 4.00 pm.

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

### 1. **TO NOTE THE CHAIR AND VICE CHAIR**

Agreed to note the appointment of Councillor Wheeler as Chair and Councillor Dr Mahony as Vice Chair for the 2014/15 municipal year.

### 2. **DECLARATIONS OF INTEREST**

There were no declarations of interest in accordance with the code of conduct.

### 3. **MINUTES**

Agreed that the minutes of 13 March 2014 are approved as a correct record.

### 4. **CHAIR'S URGENT BUSINESS**

There were no items of Chair's urgent business.

### 5. **INTERNAL AUDIT ANNUAL REPORT 2013/14**

David Curnow (Deputy Head of Devon Audit Partnership) and Brenda Davis (Audit Manager) provided the Committee with an update on the Internal Audit Annual Report 2013/14.

Members were provided with a brief outline of each page of the report and were informed that –

- (a) the report summarised the work undertaken by Devon Audit Partnership during 2013/14, reviewed the performance and effectiveness of the Internal Audit service and provided an audit opinion on the adequacy of internal control;
- (b) Internal Audit was able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control framework;
- (c) the 2013/14 Audit Plan was subject to change due to the emergence of the Transformation Programme and audit resources had been targeted in response to the far reaching changes that were being proposed. As a result, some work originally included within the 2013/14 audit plan was no longer relevant or had been deferred to a later date to fit with client needs and current objectives, especially within ICT;
- (d) the audit plan set out the business objectives which included the following challenges and opportunities: transformational change, partnering and collaboration, commissioning, information technology, financial and operational constraint and compliance and regularity;
- (e) issues contained within the Internal Audit Assurance Work included support of the implementation boards, review of partner contracts, advice on procurement processes, service management reviews, advice on reduction in control framework and compliance reviews on all material systems;
- (f) the Audit coverage and performance against the plan for 13/14 showed that there was a small variance in outturn against target for audits provided during the year; there was an increase in work linked to fraud investigation and irregularity work;
- (g) an analysis of customer survey results between April 2013 and March 2014 showed that the majority of customers were very satisfied with work undertaken;
- (h) based on audits completed and on indications from previous and on-going work, it was considered that material systems controls for the Transformation and Change department (formally Corporate Services) had either been maintained or improvements were being made to address identified weaknesses;
- (i) it was considered that during the 2013/14 financial year and in previous years, adequate controls were in place to control operations within the People department; where weaknesses were identified management had agreed these findings and had either agreed the recommendations or accepted the associated risks; a significant amount of time was spent undertaking investigations within this department which had an impact upon Internal Audit's delivery against the agreed audit plan;

- (j) Internal auditors were not in a position to provide an overall opinion for the Public Health directorate as work planned towards the end of the 2013/14 financial year was deferred at the Interim Director of Public Health's request;
- (k) it was considered that overall work had continued to confirm that adequate controls were in place in the Place Directorate; management had generally responded positively to Internal Audit's recommendations to improve controls and reduce exposure to risk;
- (l) schools were considered to be of a good standard; recommendations had been made to reduce risks and in other areas recommendations made to strengthen reasonably reliable procedures.

In response to questions raised it was reported that –

- (m) ICT Financial Management was of a good standard with effective, if time consuming, processes in place to monitor budgets on a regular basis; it was considered that the inputting of data was more time consuming than anticipated however as a result of a recent restructure an advisor had been employed for six months to advise on contract management to make this area more efficient;
- (n) the Civic Centre had not yet sold, the risk was associated with the sale of the building however it was still for sale should a prospective buyer become known; the sale of the Civic Centre continued to be on the risk register and an update was provided in the Annual Governance Statement attached to the agenda;
- (o) officers had concerns regarding the duplication of effort and possible introduction of error as a consequence of the need for two ICT systems to undertake all the necessary Disclosure and Barring Service functions; this was linked to a project to install a new HR Payroll System however the equipment used wasn't sufficiently developed to undertake all functions. It was considered that staff were working in an efficient and accurate manner with both ICT systems and quality assurance checks were built into the process;
- (p) Plymouth City Council had to discharge their homelessness duty tenancies for a minimum of 12 months;
- (q) Officers confirmed that 'reasonable assurance' was a good standard for Audit assurance opinion as Officers only sampled a range of things.

The Chair thanked Officers for their attendance and advised the Committee that Mr Golding from Grant Thornton was required to leave the meeting early because of previous arrangements. It was therefore agreed that the order of business on the agenda would be changed to facilitate good meeting management.

Agreed that –

- I. the Internal Audit – Annual Audit Report 2013/14 is noted;

2. agenda items 11 (Audit Plan including Interim Results) and agenda item 13 (External Audit Plan Progress report) are brought forward immediately after the completion of this item to facilitate good meeting management.

### **Order of Business**

With the permission of the Chair, the order of business on the agenda was amended, as set out below in the minutes.

## **6. AUDIT PLAN INCLUDING INTERIM RESULTS**

John Golding (Engagement Lead for Grant Thornton) and David Bray (Senior Audit Manager for Grant Thornton) provided Members with an update on the Audit Plan Including Interim Results.

Mr Golding advised Members that he was replacing Barrie Morris as Engagement Lead for the Committee and that due to a technical error with the report, several pages contained illegible text – hard copies were brought to the meeting for Members' information.

Members were advised that –

- (a) External Audit considered the impact of key developments in the sector and took account of national audit requirements as set out in the Code of Audit Practice;
- (b) there were two presumed significant risks which were applicable to all audits under auditing standards including the revenue cycle including fraudulent transactions and the management over-ride of controls;
- (c) other risks identified included the employee remuneration, welfare expenditure and operating expenses;
- (d) Grant Thornton had undertaken a risk assessment to identify areas of risk the Value for Money conclusion identified; these included the review of the Council's budget and medium term financial plan, review of the Council's proposals for a shared ICT service with NEW Devon CCG, review the emerging governance and performance management arrangements for the joint waste PFI contract with Devon County Council and Torbay Council and the assessment of the introduction of the Better Care Fund.

Agreed that the Audit Plan Including Interim Results is noted.

## **7. EXTERNAL AUDIT PLAN PROGRESS REPORT**

John Golding (Engagement Lead for Grant Thornton) and David Bray (Senior Audit Manager for Grant Thornton) provided the Committee with an update on the External Audit Plan Progress Report.



Members were informed that –

- (a) the aim of the report was to provide Members with a progress update on Grant Thornton, as the Council's external auditor, in delivering upon their responsibilities;
- (b) the 2013/14 final accounts audit would be submitted to the Audit Committee in September 2014;
- (c) the Council's scale fee for 2014/5 had been set by the Audit Commission at £181,428, which was identical to the audit fee for 2013/14;
- (d) a guide to local authority accounts had been sent to Members in order to assist in explaining the key features of the primary financial statements; this information would be emailed out again to those that didn't receive a copy;
- (e) in March 2014 CIPFA's (the Chartered Institute of Public Finance and Accountancy) Local Authority Accounting Panel (LAAP) issues the LAAP Bulletin 98 which provided further guidance and clarification to complement CIPFA's 2013/14 Guidance for Practitioners; topics in the guidance note included public health reform, non-domestic rates and disclosure requirements for dedicated schools grant;
- (f) Grant Thornton would be hosting a series of free workshops in July 2014 across the South West on the Local Government Audit Committee accounts; these workshops were being held in Taunton.

The Chair had sent details of the courses to Council Members of the Committee but apologised for omitting the Independent Members; he would send details on to them. Members expressed their regret that the closest course location was Taunton; John Golding confirmed that at a future meeting he would provide Members with a briefing on the LAAP Bulletin 98 if required.

Agreed that the Audit Committee –

- (1) noted the External Audit Plan Progress report;
- (2) would be provided with a briefing on the LAAP Bulletin 98 at a future meeting.

### 8. **RISK & OPPORTUNITY MANAGEMENT ANNUAL REPORT**

Mike Hocking (Head of Corporate Risk and Insurance) provided Members with an update on the Risk and Opportunity Management Annual Report.

Members were advised that –

- (a) the report summarised the work carried out during 2013/14 to develop the Council's approach to risk and opportunity management;

- (b) the Head of Corporate Risk and Insurance chaired the Information Lead Officer Group (ILOG); audit findings from Information Commissioner's Officer audit would be submitted to the September 2014 Audit Committee meeting;
- (c) Public Events Planning Training was held on 31 January 2014 by Berrymans, Lace, Mawer litigation solicitors who carried out a mock trial based on an incident occurring at a major public event; this was considered to be a success and was a valuable learning experience;
- (d) the Transformation Portfolio Board was supported by the Portfolio Office who manage the risk management element of the projects using a Portfolio, Programme and Project Risk Management methodology;
- (e) the Plymouth Risk Management Group (PRMG) was a multi-agency group established with the objective of using risk management strategies to help with the delivery of the Plymouth Plan;
- (f) the appendix attached to the report records where the risk management fund was used.

In response to a question raised it was reported that a written report had not been compiled as a result of the public events planning training however the information pack could be shared with Members for their information.

Agreed that the Audit Committee note the Risk and Opportunity Management Annual Report.

## 9. **OPERATIONAL RISK & OPPORTUNITY MANAGEMENT - UPDATE REPORT**

Mike Hocking (Head of Corporate Risk and Insurance) provided the Committee with an update report on Operational Risk & Opportunity Management.

Members were advised that –

- (a) the report outlined the continuing progress being made across services in delivering Operational Risk and Opportunity Registers in line with the Council's shared vision and priorities;
- (b) the total number of operational risks now reported had increased from 140 to 144, comprising 3 high (red) risks, 62 medium (amber) risks and 79 low (green) risks;
- (c) the three red risks included issues surrounding the Medium Term Financial Strategy, increasing homelessness as a direct result of the Local Housing Allowance and Welfare Reform changes and deterioration of the condition of the city's highway network;
- (d) risks to the Transformation Project outcomes were being tracked operationally via project risk logs.

In response to a question raised the Head of Corporate Risk and Insurance confirmed that he would circulate to Members a risk matrix that contained the scoring method and probability of risk.

Agreed that the Audit Committee note and endorse the current position with regard to operational risk and opportunity management.

10. **ANNUAL GOVERNANCE STATEMENT**

Mike Hocking (Head of Corporate Risk and Insurance) provided Members with an update on the Annual Governance Statement.

Members were advised that –

- (a) the report outlined the background to the statutory requirement to produce an Annual Governance Statement (AGS) and described the process followed in producing the AGS for 2013/14 for publication with the Annual Statement of Accounts;
- (b) preparation of the AGS was a wide ranging corporate issue that should not be owned by any one department of the Council therefore a Working Group of key officers was established to oversee the process;
- (c) the Governance Framework enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

Agreed that the Audit Committee –

- (1) note the processes adopted for the production of the 2013/14 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 Section 151 Officer (Assistant Director for Finance) (replacing the Director for Corporate Services following an explanation at the meeting of role changes).

11. **STATEMENT OF ACCOUNTS 2013/14**

Chris Flower (Lead Accountant) provided the Committee with the Statement of Accounts 2013/14.

Members were advised that –

- (a) the statement of accounts had to be produced in line with the relevant CIPFA Codes of Practice and with regard to relevant items of statute; CIPFA offered guidelines to make the statement more readable and friendly and as result the amount of pages had reduced from 200 to 84;
- (b) the period of public inspection of the accounts would take place between 01 July to 26 July 2014; the accounts would be published in September 2014;
- (c) the governance of the Energy from Waste Partnership was through the South West Devon Waste Partnership Committee; the partnership were required to come up with their own set of accounts;
- (d) the transformation team were working on a project to update the Civic Financials to improve the financial reporting; the Council was also reviewing the way that the access to financial systems was managed and administered;
- (e) the Code required that events occurring after the balance sheet date (31 March 2014) were considered in terms of their relevance to the Council's financial position for 2013/14; there was an obligation to ensure that any such events were properly reflected in the Statement of Accounts up to the date that the statement was authorised for issue.

Agreed that the Audit Committee note the report and the proposed authorised for issue date (21 June 2014) for the draft Statement of Accounts.

## 12. **TREASURY MANAGEMENT PRACTICES, PRINCIPLES AND SCHEDULES 2014/15**

Zoe Wilkinson (Lead Accountant) provided the Committee with an update on Treasury Management Practices, Principles and Schedules for 2014/15.

Members were advised that –

- (a) some information contained within the original report was incorrect therefore a supplementary report was published to replace this information;
- (b) errors had been corrected in the following sections:
  - section 1.2.2 to reflect Barclays replacing Co-operative as our operational bank and reflecting the new overdraft arrangements;
  - section 1.7.1 to reflect Barclays internet banking arrangements and security (also 1.7.2.3);
  - section 5.3.6 change of title to Monitoring Officer;
  - section 5.5 on dealing limits (to match the table);
- (c) officers were continuing to work closely with Arlingclose advisors.

In response to questions raised it was reported that –

- (d) a manual diary was kept for Treasury Management files including major receipts and payments including future Chaps payments that needed to be made; the intention of the manual diary was to strengthen internal controls however officers would research how to improve this process;
- (e) there was a statutory duty for Officers to present the Audit Committee with the full annual report; an appendix would be attached to future reports to highlight specific changes to Members.

Agreed that the Audit Committee approve the Treasury Management Practices, principles and Schedules for 2014/15.

13. **AUDIT COMMITTEE WORKPLAN 2014/15**

Members discussed the Audit Committee workplan for 2014/15 and agreed that the Information Commissioners Audit report would be submitted to the 25 September 2014 meeting.

14. **EXEMPT BUSINESS**

Agreed that under Section 100(A)(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

15. **INTERNAL AUDIT REPORT - LESSONS LEARNT (E3)**

Members noted the Internal Audit – Lessons Learnt report.

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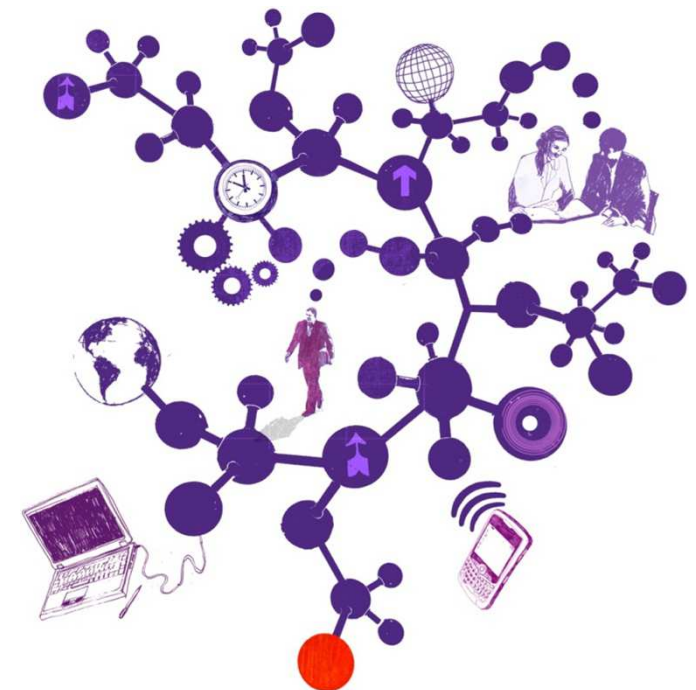
# Audit Committee Update for Plymouth City Council

**Year ended 31 March 2014**

Committee Date: 25 September 2014

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



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# Introduction

This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Unitary Council
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Governance Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications referred to in these updates.

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

## Progress at 15 September 2014

Work	Due By	Complete	Comments
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• initial risk assessment to support the Value for Money conclusion.</li> </ul>	April 2014	Yes	Our interim audit work was completed in April 2014. We reported our findings in our 2013/14 Accounts Audit Plan on 26 June 2014.
<p><b>2013-14 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	June 2014	Yes	We presented our 2013/14 Accounts Audit Plan to the Audit Committee on 26 June 2014.

## Progress at 15 September 2014

Work	Due By	Complete	Comments
<p><b>2013-14 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2013-14 financial statements</li> <li>• detailed work to support the VFM conclusion</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	September 2014	Substantially complete	<p>We plan to issue an unqualified audit opinion on the Council's financial statements for the year ended 31 March 2014.</p> <p>Further information is included in our Audit Findings Report which we will present to the Audit Committee on 25 September 2014.</p>
<p><b>2013-14 VFM Conclusion</b> We are required to assess whether Exeter City Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> <li>• securing financial resilience</li> <li>• challenging how it secures economy, efficiency and effectiveness</li> </ul>	September 2014	Complete	<p>We plan to issue an unqualified VFM Conclusion for the year ended 31 March 2014.</p> <p>Further information is included in our Audit Findings Report which we will present to the Audit Committee on 25 September 2014.</p>
<p><b>2013-14 certification work</b> This work is expected to cover:</p> <ul style="list-style-type: none"> <li>• Housing benefits</li> </ul>	November 2014	Not yet due	<p>We do not expect to be required to certify the Council's non domestic rates return for 2013/14.</p> <p>We will present our certification plan for discussion at the September 2014 Audit Committee.</p>

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# Code changes – have your say

## Accounting and audit issues

At the end of July, CIPFA released the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) Exposure Draft (ED) and Invitation to Comment (ITC) for public consultation. The changes proposed in the ITC include:

- IFRS 13 fair value measurement: the proposed approach would result in remeasurement of property, plant and equipment assets that do not provide service potential for the authority. IFRS 13 also applies to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions) and will have an impact on the reporting of, for example, financial instruments and investment properties.
- Other amendments to IFRSs: including the accounting treatment of pensions' contributions
- IFRIC 21 Levies (i.e. levies imposed by governments)
- changes to UK GAAP particularly relating to Heritage Assets
- other minor and drafting amendments.

The consultation closes on Friday 10 October 2014.

## Issue for consideration

- Has your Assistant Director for Finance reviewed the proposed amendments and assessed the potential impact?
- Has your authority considered whether it wishes to respond to the consultation?

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# CIPFA LAAP updates

## Accounting and audit issues

CIPFA have issued the following LAAP Bulletins:

- [LAAP bulletin 99](#) Local Authority Reserves and Balances – provides guidance on the establishment and maintenance of local authority reserves and balances.
- [LAAP bulletin 100](#) Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17 – provides an outline project plan to help authorities looking to develop their own project plans for the implementation of the 2016/17 Code requirements for accounting for infrastructure assets.

## Issues for consideration

- Has your Assistant Director for Finance reviewed the guidance and assessed the potential impact for your authority?
- Has your authority started to implement a project plan for accounting for transport infrastructure assets?

# Where Growth Happens

## Grant Thornton

Our national report 'Where Growth Happens' is available on our website.

As the UK emerges from recession, increasing attention is being given, both nationally and locally, as to how to accelerate economic sector growth. Our report presents the findings of research undertaken by our Place Analytics team on the dynamics of local growth. It will give Chief Executives and Heads of Finance of local authorities and LEPs:

- an insight into the geographic areas of high growth and dynamic growth (i.e. the quality of growth)
- an understanding of the characteristics of both growing and dynamic places to help frame policy and sustain future growth
- an understanding of growth corridors and their implications, not only for UK policy makers, but also for those locally sitting within and outside the corridors
- an insight into the views of different leaders charged with making growth happen in their locality.

The report provides a ranking of English cities according to their economic growth over an eight year period (2004 – 2012). Outside of London – which maintains eight of the top 10 best performing districts overall – it places Manchester, Birmingham and Brighton and Hove in the top three, as measured by economic, demographic and place (dwelling stock and commercial floor space) growth.

The analysis also assess the quality of local growth - or 'dynamism' - to identify areas with a vibrant and dynamic economy capable of supporting future expansion, based on five key drivers. London again tops the ranking, with nine out of the top 10 dynamic growth areas. Outside the capital, Cambridge, Reading and Manchester top the list of future sustainable growth.

Based on this analysis of past progress and future prospects, our report reveals a number of 'growth corridors' – functional and large scale local economic areas in England – which are playing a significant role in the country's overall growth levels. Though predominantly stemming from London, the intra-city growth corridors include a number of other large cities at their core, creating a network of key strategic linkages between high growth and dynamic areas.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

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# New routes to housing development

## Grant Thornton

We have issued the first in a series of good practice papers on topical issues for local government.

This paper considers good practice in councils' approaches to delivering affordable housing. Until recently, local authorities have acted as an enabler of new affordable housing; increasingly they are now undertaking a direct delivery role. Delivery routes vary and must be structured with the council's objectives and capacity in mind as there is no 'one size fits all' approach. The paper considers the benefits and challenges of council owned housing companies, including:

- Setting and delivering objectives
- Identifying optimal funding routes
- Assessing viability and working with others

The paper stresses the importance of a properly developed business case and business plan to support the setting up of a housing company.

Copies of our good practice paper are available from your engagement lead or audit manager.



# Managing council property assets

## Local government guidance

The Audit Commission has issued its briefing paper **Managing Council Property Assets: Using Data from the VFM Profiles**

In the paper the Audit Commission:

- advocates that councils should be active and strategic managers of their estates – understanding property markets and asking questions about the properties they own or lease,
- prompts councils to consider whether assets are in the right place, whether they should keep, sell, or transfer them, and how much they should invest in building, buying and maintaining property,
- invites local authorities to balance the value realised through sales of surplus assets, against the cost of maintaining them.

The background to the briefing is the collation of information from the government's capital outturn return which identifies that the local government estate has a net book value of £169.8 billion of which £2.5 billion have been classified as 'surplus' assets. In this context the Audit Commission is calling on councils to ensure they have a strategic approach to managing these assets, in order to get the best value for money they can from this portion of the local government estate. The Audit Commission Chair, Jeremy Newman said:

*"we are neither advocating that local government starts a wholesale sell-off of their land and property nor are we suggesting councils shouldn't spend money on buying assets or on investment to improve their existing property. What we are highlighting is a group of assets that do not provide immediate benefit to local communities, but still require councils to spend money on maintaining them. These assets have potential value for councils. While not all such land or buildings may be sellable, councils should consider how much value they gain from surplus assets and how this could be increased. I urge councils to use the data held in the Commission's 'Value for Money (VFM) Profiles Tool', such as spending on and value of land and property assets and 'surplus' assets, alongside their unique and detailed local knowledge, to regularly review if their estate is fit-for-purpose."*

## Issue for consideration

- Are members satisfied that the Council has adequate management arrangements in place to ensure its property assets are being efficiently and effectively managed?

# The National Fraud Initiative

## Local government guidance

On 12 June 2014 the Audit Commission released its national report, *The National Fraud Initiative (NFI): National Report (June 2014)* highlighting that its data matching exercise has identified a further £229 million of fraud, overpayment or error in England, Scotland, Wales and Northern Ireland, since it last reported in May 2012. The Chairman of the Audit Commission, Jeremy Newman said;

*"We publish a report from the NFI every two years and continue to produce great results. The national figure for identified fraud, error and overpayment, that would otherwise be lost to the taxpaying public, is down by £46 million compared to the previous report although the number of cases has increased by nearly 20 per cent. This is great news if, as we believe, it is due to improving detection rates. However, we cannot be complacent. The more participants in the exercise, the richer the data for everyone involved and the harder it is for fraudsters to hide from detection".*

The Audit Commission's National Fraud Initiative will move to the Cabinet Office in April 2015 to secure the continuation of the counter fraud data matching initiative which over its 18 year history has identified over £1.17 billion in fraud, error and overpayment .

## Issue for consideration

- Are members satisfied that the Council's support for the NFI's data matching exercise is adequate and that local data matches are being properly investigated to identify potentially fraudulent activity?



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# The Audit Findings for Plymouth City Council

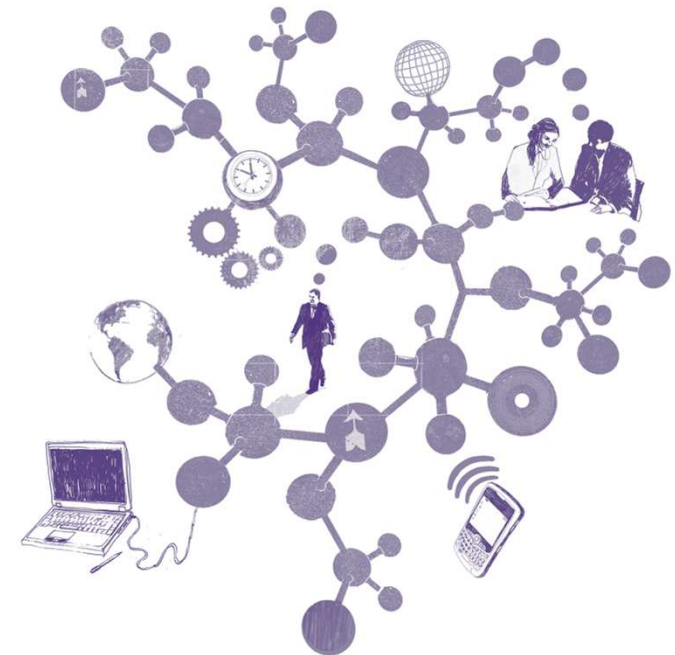
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**Year ended 31 March 2014**

12 September 2014

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify 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 do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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## **Appendices**

- A Action plan
- B Audit opinion

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## Section 1: Executive summary

**01. Executive summary**

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters



# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Plymouth City Council's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. 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 (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 5 June 2014.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

At the time of writing, 12 September 2014, our audit was substantially complete.

We are finalising our work in the following areas:

- Property Plant and Equipment, and
- Welfare Benefits (i.e. Housing Benefits and Council Tax Support).

In addition to the completion of the remaining fieldwork outlined above, we need to undertake the following audit completion tasks:

- review of the final version of the financial statements and the completion of the disclosure checklist;
- obtaining and reviewing the final management letter of representation;
- updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts.

We are awaiting assurances from the External Auditors of the Devon Pension Fund to enable us to complete our audit.

We will update the Audit Committee regarding the completion of our work on 25<sup>th</sup> September 2014.

# Executive summary

## Key issues arising from our audit

### Financial statements opinion

The Council prepared its financial statements ahead of the National timetable (30 June 2014) and made a full set of working papers available to us at the start of the audit, in the week commencing 16<sup>th</sup> June 2014, which was two weeks earlier than the previous year.

Only a small number of adjustments to the Council's draft financial statements have been as a result of our audit and we did not identify any material errors. Overall, the standard of the Council's financial statements are consistent with the previous year and their content and layout has been significantly improved.

However, the Council did make a large number of trivial amendments to its draft financial statements after they were provided to us. Although they did not have a noticeable effect on the presentation of the financial statements, they did hinder our audit, particularly with the Whole of Governments Account (WGA) work which requires us to reconcile the Council's WGA return to its financial statements.

We identified a number of further presentational and disclosure changes which are required by the Code of Practice 2013-14. Further details are set out in section 2 of this report.

### Value for Money conclusion

Based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

### Whole of Government Accounts (WGA)

Our work is in progress and we will complete our work in respect of the WGA in accordance with the national timetable. We will share our findings with you once this work has been finalised.

### Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

In our audit plan we reported to you a weakness we identified regarding journal entries as there is no authorisation process for journals prior to posting. Our IT auditors identified scope to improve the controls in place in a number of areas, although none of these are considered to be a significant weakness.

Further details are provided within section 2 of this report.

### **The way forward**

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Council's Assistant Director for Finance,

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Assistant Director for Finance,

### **Acknowledgment**

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

**Grant Thornton UK LLP**  
**September 2014**

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## Section 2: *Audit findings*

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 26 June 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you.

## **Audit opinion**

We anticipate that we will provide the Council with an unmodified opinion on its financial statements. Our audit opinion is set out in Appendix B.

## Audit findings against significant risks

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

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journal entries</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls.</p> <p>Although we identified a weakness regarding the lack of journal authorisation, our testing of journal entries has not found any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

## Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period	We have: <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• tested key controls</li> <li>• Undertaken cut off testing and searched for unrecorded liabilities</li> <li>• Substantively tested operating expenses incurred by the Council</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Employee remuneration</b>	Employee remuneration accrual understated	We have: <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• tested key controls</li> <li>• substantively tested payroll transactions undertaken by the Council</li> <li>• performed analytical procedures, including a trend analysis.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Welfare expenditure</b></p>	<p>Welfare benefit expenditure improperly computed</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• tested key controls</li> </ul>	<p>At the time of writing, our audit work in this area has not been completed.</p> <p>We will provide an update to the Audit Committee on 25 September 2014.</p>
<p><b>Property, plant &amp; equipment</b></p>	<p>PPE activity not valid</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• tested key controls</li> <li>• substantively tested a number of additions and made comparisons to the Council's Capital Programme.</li> <li>• physically verified the existence of a number of the assets and confirmed the ownership.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>




## Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.




Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Property, plant &amp; equipment</b></p>	<p>Revaluation measurement not correct</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>• tested key controls</li> <li>• reviewed the revaluations in the year, including the qualifications of the valuer and the methodology applied</li> <li>• assessed how the Council has ensured that assets not formally revalued are fairly stated.</li> </ul>	<p>At the time of writing, our audit work in this area has not been completed.</p> <p>We refer to the accounting estimates and judgements relating to PPE valuations on pages 14 and 15 of this report.</p> <p>We will provide an update to the Audit Committee on 25 September 2014.</p>

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.


Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	The Council's accounting policy is that income is accounted for in the year that it takes place, not simply when cash payments are made or received.	<p>The Council's revenue recognition policy is clearly set out and is consistent with that of the previous year.</p> <p>The policy has been reviewed and assessed as being in accordance with CIPFA's requirements and in line with that adopted by other Local Authorities.</p>	 <b>Green</b>
<b>Judgements and estimates</b>	<p>In the financial statements, the Council has disclosed that the key judgements and estimates are in relation to :</p> <ul style="list-style-type: none"> <li>• Pensions liabilities</li> <li>• Arrears</li> <li>• Landfill Provision</li> <li>• Valuation of property, plant and equipment</li> <li>• Depreciation</li> </ul>	<p>Our work is continuing on PPE valuations. We will provide an update to the Audit Committee on 25 September 2014.</p> <p>Our work on other key judgements and estimates has not identified any issues we wish to bring to your attention.</p>	

## Assessment

-  Marginal accounting policy which could potentially attract attention from regulators (red)
-  Accounting policy appropriate and disclosures sufficient (green)
-  Accounting policy appropriate but scope for improved disclosure (amber)

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Other accounting policies</b>	<ul style="list-style-type: none"> <li>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</li> </ul>	<ul style="list-style-type: none"> <li>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention</li> </ul>	 <b>Green</b>

### Assessment

- Marginal accounting policy which could potentially attract attention from regulators (red)
- Accounting policy appropriate but scope for improved disclosure (amber)
- Accounting policy appropriate and disclosures sufficient (green)

## Adjusted misstatements

There were no misstatements identified during the audit of the draft financial statements. However there were a number of disclosure changes required which are shown on page 17.

## Misclassifications & disclosure changes

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

Area	Adjustment Made
1 Note 8 – PFI	The draft financial statements did not reflect the correct additions in this disclosure note and they were overstated by £2.3m. This did not affect the property, plant and equipment values on the balance sheet as this is an addendum to the main note.
2 Note 8.5 – Revaluations/Impairments	The draft financial statements did not reflect the full disclosure requirements relating to the Valuer, method of valuation, assumptions the made or date of valuation.
3 Note 9 – Heritage Assets	The draft financial statements did not reflect the full disclosure requirements relating to the Heritage Assets movement in the year.
4 Note 17.4 – Cash and Cash Equivalents	The draft financial statements did not reflect the full disclosure requirements relating to the Cash and Cash Equivalents of the Council.
5 Note 12.4 Nature and Extent of Risks Arising from Financial Instruments.	The draft financial statements did not reflect the full disclosure requirements relating to the credit risk quantification.
6 Note 27 – Defined Benefits Pensions Scheme	The draft financial statements did not reflect the full disclosure requirements relating to the Local Government Pension Scheme.

## Misclassifications & disclosure changes (continued)

Area	Adjustment Made
7 Movement In Reserves Statement (MIRS)	Differences were identified between the MIRS working papers and the draft financial statements, due to the late changes made after the publication of the draft accounts referred to earlier in this report.
8 Non Compliance with Code of Practice 2013-14	The Council has departed from the Code of Practice in respect of the depreciation method for the Tamar Bridge. This approach has also been followed by Cornwall Council. However, the draft financial statements did not include the required disclosure relating to this departure.

## Unadjusted misstatements

The table below provides details of the one adjustment identified which we requested be processed but which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:



Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
<p>1 As in previous years, the Council has deviated from the guidance provided by CIPFA in a LAAP bulletin regarding the accounting treatment for investments held with Icelandic banks.</p> <p>If the Council were to follow CIPFA's guidance there would be a reversal of the loss of £1.5m 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 again raised this as an unadjusted misstatement for those charged with governance to consider.</p>	£1,517	£1,517	<p>The Council has been consistent and used a prudent approach in calculating the impairment adjustment within the accounts due to the continued uncertainty over the level of future recovery. Impairments have been made in line with actual receipts rather than those anticipated. Officers will continue to monitor the recovery during 2014/15 and make appropriate judgements in terms of the accounting entries accordingly.</p>
<b>Overall impact</b>	<b>£1,517</b>	<b>£1,517</b>	

# Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	 <b>Red</b>	As reported in our audit plan, a material weakness has again been noted as there is no authorisation process for journals prior to their posting. This was previously reported to the Council in 2012/13.	The Council should introduce a sample-based approach to journal review and authorisation, covering all journals.
2.	 <b>Amber</b>	<p>As reported in our audit plan, our information system specialist performed a high level review of the General IT control environment and followed up issues raised in the previous year. The findings were:</p> <ul style="list-style-type: none"> <li>• There was a lack of formal reviews of Information Security Policies and Procedures;</li> <li>• Reviews of information security logs were not being formally, proactively and routinely reviewed;</li> <li>• Intruder lockout settings were weak</li> </ul>	<p>Information Security Policies should be reviewed at planned intervals or when significant changes occur to ensure their continued suitability, adequacy and effectiveness;</p> <p>The logs relating to information security events on each system and the network should be formally reviewed for the purpose of detecting inappropriate or anomalous activity.</p> <p>The policy regarding intruder lockout should be reviewed to ensure that controls are in place to detect repeated attempts at gaining access to the Network Accounts. This should include the requirement for regular reporting and review of failed attempts to log into the Network.</p>

## Assessment

- Significant deficiency – risk of significant misstatement (red)
- Deficiency – risk of inconsequential misstatement (Amber)



## Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<p>We have previously discussed the risk of fraud with the Audit Committee and the Assistant Director for Finance and have received written representations from them in accordance with ISA240.</p> <p>We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit.</p>
2.	<b>Matters in relation to laws and regulations</b>	We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	<b>Written representations</b>	<p>A letter of representation has been requested from the Council.</p> <p>In particular, representations will be requested from management in respect of the significant assumptions used in making accounting estimates for PPE Valuations.</p>
4.	<b>Disclosures</b>	Our review found no material omissions in the financial statements.
5.	<b>Matters in relation to related parties</b>	We are not aware of any related party transactions which have not been disclosed.
6.	<b>Going concern</b>	Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non audit services and independence

05. Communication of audit matters

# Value for Money

## Value for money conclusion

The Code of Audit Practice 2010 (the Code) 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; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code. These criteria are:

**The Council has proper arrangements in place for securing financial resilience** - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness** - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

All councils face significant financial challenges over the next few years and will have to take some very difficult decisions.

Plymouth City Council has produced a three year budget covering 2014/15 to 2016/17. Whilst there are inevitably some uncertainties regarding the levels of future financing, this three year budget shows that there is a shortfall - or savings target - of £45m over those three years.

This shortfall is planned to be bridged in a number of ways, but the largest single area is the Council's Transformation Programme which aims to deliver savings of £24m over that period.

Having already reduced the Council's net revenue spend by £30m over the last 3 years, this represents a significant challenge and will need to be carefully managed.

### Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

The Council has set out its future direction in its 'Brilliant Co-operative Council Corporate Plan' and in May 2014 it made a further 50 'pledges'.

The Council is working with other organisations on service delivery and its Transformation Programme will have a major impact on both what services are delivered and how they are delivered.

Councils are experiencing falling resources and increasing demands for some of their services and will need to prioritise effectively if they are to remain financially sound.

**Overall VFM conclusion**

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

<b>Green</b>	Adequate arrangements
<b>Amber</b>	Adequate arrangements, with areas for development
<b>Red</b>	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating 2013-14
<b>Key indicators of performance</b>	Overall, the Council's outturn for 2013/14 was in line with its budget. The budget was challenging and reflects well on the Council. There were, however, some areas where the budget was exceeded (e.g. Adult Social Care) but at the year end the Council's General Fund was virtually unchanged from the previous year and its earmarked reserves had increased by approximately £3m.	<b>Green</b>
<b>Strategic financial planning</b>	<p>The Council has developed a three year budget covering 2014/15 to 2016/17. This shows that, having already reduced the net revenue spend by £30m (in total) over the last 3 years, there is a shortfall of £45.2m over that period.</p> <p>This shortfall is planned to be bridged in a number of ways, including income generation (£3.7m over the three years) and partnership working (£4.1m over the three years), but the largest area of savings is the Council's Transformation Programme which aims to deliver savings of £24.2m of savings over the period 2014/15 to 2016/17.</p> <p>Net financial savings from the Transformation Programme are, predominantly, forecast to be achieved in 2015/16 beyond, with savings over the period 2014/15 to 2016/17 being £1.2m, £7.3m and £15.7m respectively.</p> <p>The Council's own three year budget assessed the delivery of these savings as 'red' (high risk) which recognises the challenges that lie ahead. Internal Audit's review of contract management found the arrangements, at the time of their review, to be unstructured and variable which exposed the Council to potential risk.</p> <p>The Council needs to ensure that the completion of the Transformation Programme work streams, their subsequent implementation and the financial impacts are closely monitored. The Council also needs to be alert to the fact that savings in one service area could lead to cost pressures in another.</p>	<b>Amber</b>

Theme	Summary findings	RAG rating 2013-14
<b>Financial governance</b>	<p>The Council is aware of its financial environment at both Officer and Member level. The Council has developed a three year plan although, as noted earlier, the delivery of this will be challenging.</p> <p>There is a good system of budgetary control in place and Plymouth City Council has not reported any significant variances from its overall budget in recent years.</p> <p>Risk management arrangements are unchanged and are considered to be effective.</p>	<b>Green</b>
<b>Financial control</b>	<p>Although we have not identified any concerns regarding the Council's budgetary control arrangements, the challenging financial environment means that there needs to be close scrutiny of the Council's financial performance, covering the delivering of the Transformation Programme as well as the other planned measures such as income generation.</p> <p>Internal Audit have not identified any weaknesses within your key financial systems that could impact on our VFM Conclusion and this accords with our own work on your financial statements.</p>	<b>Green</b>
<b>Prioritising resources</b>	<p>The Council has set out its future direction in its 'Brilliant Co-operative Council Corporate Plan' and in May 2014 it made a further 50 'pledges'.</p> <p>As noted earlier, the Council's Transformation Programme will have a major impact on both what services are delivered and how they are delivered and the Council needs to ensure that this programme remains on track and that savings in one service area do not lead to cost pressures in another.</p>	<b>Amber</b>
<b>Improving efficiency &amp; productivity</b>	<p>Plymouth City Council has the lowest Council Tax in Devon and Cornwall and the Audit Commission's national data shows that the Council has a low average spend per head.</p> <p>The Council is open to new ways of working (e.g. the shared IT service with NEW Devon CCG) where it considers cost reductions and service improvements can be achieved.</p>	<b>Green</b>

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## Section 4: Fees, non audit services and independence

01. Executive summary

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**04. Fees, non audit services and independence**

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# Fees, non audit services and independence

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

## Fees

	Per Audit plan £	Actual fees £
Council audit	181,428	181,428
Grant certification	23,302	TBC
<b>Total audit fees</b>	<b>204,730</b>	<b>TBC</b>

Our certification work will not be completed until November 2014. We will advise the Council's Audit Committee of the final fee for this work at that time.

There is an additional fee of £1,080 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for Unitary Authorities and is subject to agreement by the Audit Commission.

## Fees for other services

Service	Fees £
None	Nil

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.



---

## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit Plan	Audit Findings Report
<b>Our communication plan</b>		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendices

## Appendix A: Action plan – financial statements

### Priority

**Significant deficiency** – risk of significant misstatement

**Deficiency** - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Once the draft financial statements have been prepared, no amendments should be made until the audit has been completed.	Deficiency	Agreed	April 2015 Lead Accountant – Technical Finance
2	The Council should introduce a sample-based approach to journal review and authorisation, covering all journals.	Deficiency	Internal Audit carry out an annual testing of a sample of journals as part of their internal audit.  Finance will introduce its own random sample of journals to test accuracy, plus any individual journal entry >£500k will be authorised by Head of Corporate Strategy or Head of Finance Operations  The Council are upgrading Civica Financials programme which should incorporate an alert system that automatically identifies unusual journals that fall outside prescribed parameters. These alerts will then be reviewed by finance management.	On-going  October 2014 Head of Corporate Strategy April 2015 Lead Accountant – Technical Finance
3	Information Security Policies should be reviewed at planned intervals or when significant changes occur to ensure their continued suitability, adequacy and effectiveness;	Deficiency	The new IT support team are undertaking a review as part of their new remit of all systems.  There is planned to be an annual review of these policies.	January 2015 Head of Corporate Strategy / ICT System Support Team Manager

## Action plan – VFM Conclusion

Rec No.	Recommendation	Management response	Implementation date & responsibility
4	Logs relating to information security events on each system and the network should be to detect inappropriate or anomalous activity.	There is an automatic Protective Monitoring System provided by LogRhythm Limited which performs this task	On-going but review January 2015 Head of Corporate Strategy / ICT System Support Team Manager
5	The policy regarding intruder lockout should be reviewed to ensure that controls are in place to detect repeated attempts at gaining access to the Network Accounts. This should include the requirement for regular reporting and review of failed attempts to log into the Network.	The Protective Monitoring System monitors and reports lockouts and this is based on Microsoft Best Practice.  The automatic reporting of lockouts is reviewed by ICT management.	December 2014 Lead Accountant – technical Finance / ICT System Support Team Manager
6	The Council needs to ensure that the completion of the Transformation Programme work streams, their subsequent implementation and the financial impacts are closely monitored.	Agreed.  The Council is currently monitoring the 2014/15 financial forecast, including a full review of all Transformation Programme costs and benefits.  There is a schedule of reviews of the Transformation Programme by the Co-operative Scrutiny Board, with regular updates to the Audit Committee  As part of the 2015/16 Budget + 2016/17 – 2018/19 MTFF setting process, a clear strategy has been agreed to undertake a full review of all programme costs for the period; move the projected benefits away from the Ernst & Young theoretical assumptions and replace them with benefits / additional income as set out in the Full Business Cases being approved by Cabinet & Full Council.	On-going CMT / Assistant Director for Finance / Head of Corporate Strategy

# Appendix B: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

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

### Opinion on the Authority financial statements

We have audited the financial statements of Plymouth City Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Plymouth City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Assistant Director for Finance and auditor

As explained more fully in the Statement of the Assistant Director for Finance's Responsibilities, the Assistant Director for Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Assistant Director for Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements: give a true and fair view of the financial position of Plymouth City Council as at 31 March 2014 and of its expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

### Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we report by exception

We report to you if: in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; we issue a report in the public interest under section 8 of the Audit Commission Act 1998; we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

**Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

***Respective responsibilities of the Authority and the auditor***

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:  
securing financial resilience; and  
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

***Conclusion***

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, *Plymouth City Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

***Certificate***

We certify that we have completed the audit of the financial statements of Plymouth City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

OR

***Delay in certification of completion of the audit***

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Signature

John Golding, Partner  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP  
Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

29 September 2014



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25<sup>th</sup> September 2014

**Plymouth City Council  
Financial Statements for the year ended 31 March 2014**

Dear Sirs

This representation letter is provided in connection with the audit of the financial statements of Plymouth City Council for the year ended 31 March 2014 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 The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. In particular, we have made sufficient enquiries to satisfy ourselves that Property, Plant and Equipment not formally revalued in the year is fairly stated
- vi We are satisfied that the material judgements 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 judgements that need to be disclosed.

- vii Except as stated in the financial statements:
  - a there are no unrecorded liabilities, actual or contingent
  - b none of the assets of the Council has been assigned, pledged or mortgaged
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii 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.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- x All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii We have not adjusted the misstatement brought to our attention on page 19 the Audit Findings Report, as it is considered to be immaterial to the results of the Council and its financial position at the year-end. We explain this more fully at the end of this letter. The financial statements are free of material misstatements, including omissions.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

#### **Information Provided**

- xv 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 Council from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii 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.

- xix We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a management;
  - b employees who have significant roles in internal control; or
  - c others where the fraud could have a material effect on the financial statements.
- xx 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, regulators or others.
- xxi 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.
- xxii We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

xxiv 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.

**Unadjusted Misstatement**

As noted in paragraph xii, we have not adjusted for the one error notified to us in the Audit Findings Report as follows:

Auditor's Finding	Reason for No Adjusting
<p><b>As in previous years, the Council has deviated from the guidance provided by CIPFA in a LAAP bulletin regarding the accounting treatment for investments held with Icelandic banks. If the Council were to follow CIPFA's guidance there would be a reversal of the loss of £1.5m 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 again raised this as an unadjusted misstatement for those charged with governance to consider.</b></p>	<p><b>The Council has been consistent and used a prudent approach in calculating the impairment adjustment within the accounts due to the continued uncertainty over the level of future recovery. Impairments have been made in line with actual receipts rather than those anticipated. Officers will continue to monitor the recovery during 2014/15 and make appropriate judgements in terms of the accounting entries accordingly.</b></p>

**Approval**

The approval of this letter of representation was minuted by the **Council's Audit Committee** at its meeting on 25 September 2014.

Signed on behalf of the Council

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....



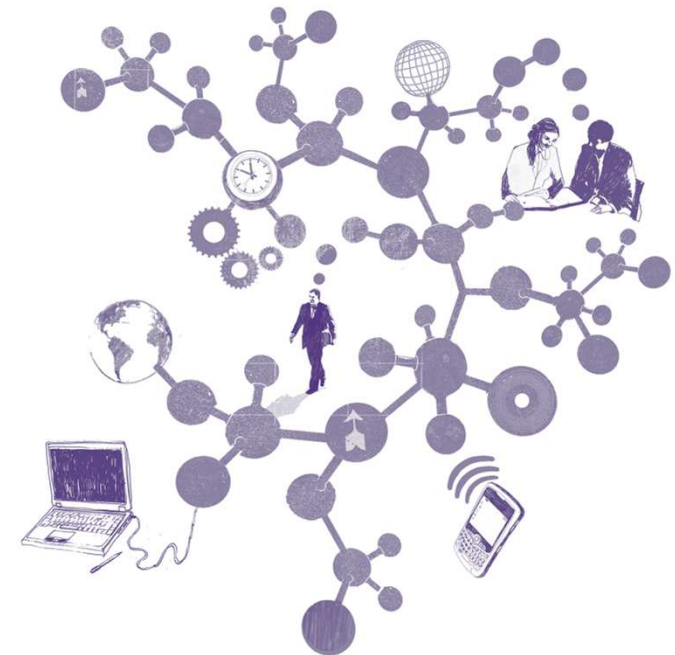
# Grant certification work plan for Plymouth City Council

**Year ended 31 March 2014**

29 August 2014

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# Our approach to grant certification work

## Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information.

The Audit Commission makes certification arrangements with grant-paying bodies, including confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and set out the specific procedures to be applied in examining the claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission.

## Certification arrangements

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return. The arrangements for 2013/14 are:

- for claims and returns below £125,000, certification by us is not required, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions
- for claims and returns above £125,000 and below £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but are not required to undertake any testing of the eligibility of expenditure or data

- for claims and returns over £500,000, we are required to assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, we are required to undertake limited tests to agree entries on the claim or return to underlying records but not to undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.

In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's financial ledger and any other relevant systems, and make appropriate use of relevant internal audit work where possible.

## Role of all parties

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role & responsibility
Grant paying body	Sets conditions of grant and deadline for submission for pre-certified and certified claims
Audit Commission	Issues certification instructions for auditor work
Council	Submits claims for certification to the Appointed Auditor within grant paying body submission deadlines
Appointed Auditor	Certifies claims in accordance with Audit Commission certification instructions and within certification deadlines

The Council's role is set out in more detail below:

- the Assistant Director, Finance, Efficiencies, Technology and Assets is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to claims and returns.
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement.
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies.
- grant-paying bodies usually require the Council's certificate to be given by an appropriate senior officer. This is typically the Assistant Director, Finance, Efficiencies, Technology and Assets or an officer authorised by written delegated powers; and
- the Council should monitor arrangements with any third parties involved in the certification process.



## Claims history

The most significant claims and returns in 2012/13 were:

- housing and council tax benefit claim;
- Teachers' Pensions; and
- national non-domestic rates return.

Due to changes in government funding, there are a number of schemes that either finished in 2012/13 or where funding is no longer ring-fenced. For Plymouth City Council this means that there will be no certification under the Audit Commission regime of the following schemes in 2013/14:

- council tax benefit (previously part of the housing and council tax benefit claim);
- Teachers' Pensions and
- national non-domestic rates return.

## Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification.
- without qualification but with agreed amendments incorporated by the Council or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim is qualified because the Council has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

## Certification work fees

The Audit Commission sets an indicative fee for grant claim certification based on 2011/12 actual certification fees for each council. The indicative fee for Plymouth City Council is £23,302. The fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year;
- the Council provides adequate working papers to support each entry in the claim/return; and
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries.

Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission.

The Council has identified all claims and returns requiring certification and this information is incorporated into Appendix A to this plan.

---

## Administration

When each expected claim or return is completed, a copy of the signed claim should be sent to David Bray, Senior Audit Manager at the following address:

**Grant Thornton UK LLP**

Room B2.07  
Carrick House  
Pydar Street  
Truro  
Cornwall, TR1 1DP

- The original claims and returns should be retained by the Council.
- If additional claims and returns are identified by either us or the Council they will be incorporated into the appendix in this plan
- All claims and returns listed in appendix A should be sent to us, even if below the de minimis limit so that we can confirm that no certification is required. We are required to report the value of these claims to the Audit Commission in our annual certification report.

## Managing the certification process – our role

- We intend to certify all claims and returns in accordance within the deadlines set by the Audit Commission. If we receive any claims after the Council's submission deadline, we will endeavour to certify them within the Audit Commission deadline but, where this is not possible, within three months from receipt
- A copy of each certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable
- Copies of the certification instructions can be provided on request for any new claims or returns
- We expect to complete the certification of all claims by late 2014 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.

---

## Appendix A: Summary of expected claims & returns for the year ended 31 March 2014

Claim (CI reference)	Authority deadline	Certification deadline	Claim certified in prior year?	Prior year outcome
Housing benefits subsidy (BEN01) *	30/04/14	30/11/14	Yes	Qualified

\* No certification of council tax benefit is required in 2013/14



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9 September 2014

Tracey Lee  
Chief Executive  
Plymouth City Council  
Civic Centre  
Plymouth  
Devon  
PL1 2AA

**Direct line** 0303 444 8273  
**Email** auditor-  
appointments@audit-  
commission.gsi.gov.uk

Dear Ms Lee

### **Plymouth City Council - consultation on auditor appointment from 2015/16**

I wrote to you on 23 June 2014 to consult on the proposed appointment of BDO LLP to audit the accounts of Plymouth City Council (the Council) from 2015/16.

I received an email response from David Northey on 22 July 2014, objecting to the proposed appointment and asking the Commission to consider extending the appointment of the current auditor, Grant Thornton LLP. The reasons given relate to the good relationship with the existing auditor, their understanding of the challenges facing the Council, and their knowledge of the cross-working and joint projects the Council is involved in with its close neighbours.

We have considered carefully the representations made. The representations have also been considered by a subcommittee of the Commission Board (the Board's Appointments Panel). I am writing to confirm that as a result we do not intend to change the Commission's proposal to appoint BDO LLP to audit the accounts of Plymouth City Council from 2015/16.

While we understand the potential complexity of the matters outlined in David Northey's reply, we also have to consider other factors when making auditor appointments. The Commission must balance the preferences of audited bodies against its contractual obligations with the firms, including those who won contracts following our most recent procurement exercise. From the information provided to us, it does not appear to be the case that the Council has a joint management team or shared back office functions with its neighbouring authorities. In such cases, we do try to ensure that the same auditor is appointed to the authorities involved.

The current appointment of Grant Thornton LLP as the Council's auditor was made under contracts awarded in 2006 and 2007. The Commission announced in April 2013 that it would

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T 0303 444 8300 [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

retender these contracts, covering approximately 30 per cent of the local public audit market and including Plymouth City Council. The retendering exercise has achieved more competitive prices, enabling us to consider further reductions in the costs of audit from 2015/16. Grant Thornton was not successful in obtaining one of the new contracts replacing these older contracts.

The Commission Board will consider my recommendations and those of the Appointments Panel at its meeting on 4 December 2014. You will receive a letter to confirm your auditor appointment from 2015/16 after that date.

I thank you for bringing this matter to our attention, and hope you understand the reasons for our decision about your auditor appointment.

Yours sincerely



Jon Hayes  
Associate Controller of Audit (Compliance)

cc David Northey, Head of Corporate Strategy, Plymouth City Council

# **BRIEFING NOTE**

Audit Committee 25 September 2014

Appointment of External Auditors



## **Local Government Association to lead interim arrangements for public sector audit after 2015**

Local Government Minister Brandon Lewis announced 21 March 2014 that as part of plans to save £1.2 billion from the abolition of the Audit Commission the [Local Government Association \(LGA\)](#) will lead interim arrangements for public sector audit after 2015.

The Local Government Association will set up a new company to take on responsibility for management of the Audit Commission's contracts until the legal introduction of local appointment in 2017.

The government abolished the Audit Commission's expensive inspection regime and, in 2012, its audit practice was outsourced to private audit firms. The [Local Audit and Accountability Act 2014](#) will disband the residual Audit Commission and introduce a new local audit framework.

### Appointment of Auditor

Following the Local Audit and Accountability Act 2014 the Audit Commission has appointed BDO as the Council's auditor for the year ending 31 March 2016 and 2017.

The Local Audit and Accountability Act 2014 provides for the abolition of the Audit Commission, and the introduction of new arrangements for the audit of local public bodies such as local authorities, clinical commissioning groups, and police and crime commissioners. The key elements of the Act as regards audit arrangements are as follows:

- The Audit Commission will be abolished and the Audit Commission Act 1998 will be repealed;
- Local bodies will be able to appoint their own auditors, once existing audit contracts have run their course (contracts currently run until 2017, and will be overseen by a transitional body once the Audit Commission has been abolished);
- To help underpin auditor independence, local audit appointments will be overseen by an Independent Auditor Panel. The Act also enables collective audit procurement should local bodies wish to join together in this way;

### What does this mean for Plymouth City Council?

Our Financial Accounts will be audited in the short term by:

2014/15	Grant Thornton
2015/16	BDO



**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Statement of Accounts 2013/14
<b>Committee:</b>	Audit Committee
<b>Date:</b>	25 September 2014
<b>Cabinet Member:</b>	Councillor Mark Lowry
<b>CMT Member:</b>	Malcolm Coe (Assistant Director for Finance)
<b>Author:</b>	Chris Flower (Lead Accountant, Finance Department – Technical)
<b>Contact details</b>	Tel: 01752 304212 email: chris.flower@plymouth.gov.uk
<b>Ref:</b>	FIN/CF
<b>Key Decision:</b>	No
<b>Part:</b>	I

---

**Purpose of the report:**

The Council's draft Statutory Statement of Accounts was prepared and approved ready for audit by the Assistant Director for Finance on 26 June 2014.

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 2014.

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 2013/14 is attached at Appendix A.

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**The Brilliant Co-operative Council Corporate Plan 2013/14 - 2016/17:**

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 2013/14 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.

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

N/A

---

**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? No

**I Recommendations and Reasons for recommended action:**

1. Audit Committee note the amendments made to the Statement of Accounts for 2013/14 as agreed with the Auditor, and outlined in this report.
2. The Statement of Accounts for 2013/14 attached at Appendix A be approved.
3. The letter of representation attached at Appendix B is authorised and submitted to the Auditor.

**Alternative options considered and rejected:**

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

**Published work / information:**

- [Outturn Report to Cabinet June 2014](#)
- [Statement of Accounts 2013/14 Report to June 2014 Audit Committee](#)
- [Draft \(Pre Audit\) Statement of Accounts 2013/14](#)
- [Annual Governance Statement 2013/14](#)

**Background papers:**

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	
Not applicable										

**Sign off:**

Fin	djn13 14.19	Leg	18425/ DVS	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member - Malcolm Coe													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## Statement of Accounts 2013/14

### **1. Introduction**

- 1.1 The draft Statement of Accounts 2013/14 was approved by the Assistant Director for Finance on 26 June 2014. The formal audit commenced on 1 June 2014. The External Auditor's Audit Findings Report (ISA 260 Report), including the outcome 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 2014. For Plymouth, this responsibility has been delegated to the Audit Committee.
- 1.2 The Council has followed the guidelines given by CIPFA to de-clutter the accounts. The Council has worked with the Auditors to try and make the accounts more readable for the user and has taken out as much jargon and non-relevant wording as possible. The aim has been to reduce the size of the document and to make the accounts clear and concise while still keeping within the Code of Practice.
- 1.3 The above changes made to the Statement of Accounts has reduced the size of the final document and following discussions with the auditor a number of disclosure notes have been being added back in to keep within the Code as outlined in this report. The revised Statement of Accounts for 2013/14 is attached at Appendix A.
- 1.4 The Council is also required to identify and report on any post balance sheet events that have occurred since 31 March 2014. The Statement of Accounts should therefore include all relevant post balance sheet events up to and including the 25 September 2014.
- 1.5 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. This letter may be signed by the Assistant Director for Finance and the Chair of Audit Committee and is attached at Appendix B.
- 1.6 The Accounts have been produced in line with the relevant CIPFA Codes of Practice for 2013/14. The auditor has outlined in the ISA 260 report being presented to this Committee that he is satisfied that the Accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting 2013/14 (The Code).
- 1.7 Council Officers would like to express their thanks to the Audit staff for their help and assistance in finalising the Council's Statement of Accounts.

### **2. The 2013/14 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 2013/14 (the Code)
  - The Service Reporting Code of Practice for Local Authorities (SeRCOP)
- 2.2 The 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.

2.3 The 2013/14 Codes did not introduce any significant new obligations in terms of producing Plymouth's accounts for 2013/14, however, the following new requirements have been incorporated into this year's statements:-

- The Code now encourages local authorities to prepare the Explanatory Foreword in line with Government guidance followed by other areas of the Public Sector. Although this is not yet a mandatory requirement for Local Government, this year's Foreword is presented in line with the guidelines.

### **3. Issues arising since publication of the 2013/14 draft Accounts**

3.1 The following paragraphs outline the relevant issues that have arisen since the publication of the draft Accounts in June.

#### **3.2 Post Balance Sheet Events (PBSE)**

3.2.1 Although the Statement of Accounts shows the financial outturn position for 2013/14 and Balance Sheet position as at 31 March 2014, the Council is required to report material events occurring after 31 March 2014.

3.2.2 There is one additional significant event which has occurred since the draft Accounts were published in June which is required reporting within PBSE Note 4 (page 32).

This relates to the Council agreeing to transfer its ICT services to Delt Shared Services Limited at a cost of circa £5.5m per year. Delt Shared Services Limited is a company jointly owned by Plymouth City Council and the Clinical Commissioning Group (CCG) and has been set up to provide the ICT requirements for both organisations. This arrangement will drive out both operational and financial benefits for both organisations.

#### **3.3 Agreed Audit Amendments**

3.3.1 The auditor's report outlines a number of changes that they are recommending be made to the draft 2013/14 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.

3.3.2 There were no misstatements identified during the audit of the draft financial statements.

3.3.3 In terms of amendments to Disclosure Notes, there were a few issues which came to light during the audit which have now been added to the statement of accounts, the main ones being as follows:-

- Note 8 – The PFI disclosure note was changed to remove the PFI additions. This did not affect the property, plant and equipment values on the balance sheet as this is an addendum to the main note.
- Note 8.5 – Revaluations/Impairments. Additional information was added relating to the Valuer, method of valuation, assumptions the made or date of valuation.
- Note 9 – Heritage Assets - Table added to show the Heritage Assets movement in the year.
- Note 12.4 Nature and Extent of Risks Arising from Financial Instruments - Additional wording has been added to explain the credit risk, liquidity risk and market risk.
- Note 17.4 Cash and cash equivalent - Table added to show breakdown between cash and cash in short term investments.
- Note 27 – Defined Benefits Pensions Scheme - Change to the table to provide the full disclosure requirements relating to the Local Government Pension Scheme.

- Movement In Reserves Statement (MIRS) Differences were identified between the MIRS working papers and the draft financial statements, due to the late changes made after the publication of the draft accounts.
- Non Compliance with Code of Practice 2013-14. An additional note was added to disclose that the Council has departed from the Code of Practice in respect of the depreciation method of an infrastructure and we have identified the Tamar Bridge separately as a Toll Bridge. This approach has also been followed by Cornwall Council.

3.3.4 Further details on the above amendments are reported in the External Auditor's report also on this agenda.

- i. In addition, there have been a small number of grammatical and punctuation corrections to the document identified by both Officers and the Auditor, including the insertion of additional wording to provide clearer explanation of the accounts.

#### **4. Looking to the year ahead - Issues for the 2014/15 Statement of Accounts**

4.1 There were some challenging changes to the Code of Practice in 2013/14 and the Council spent time researching the requirements and working with the auditors to incorporate these changes into these accounts.

4.2 As well as changes to the Codes of Practice, Officers will also be considering other documentation published by CIPFA which will have an impact on either 2014/15 or future years' accounts. Current developments include consultation documents and / or new publications on the following topics:-

- Transport Infrastructure Assets
- IFRS 13 Fair Value Measurement
- The Group Accounts Standards
- Code of Practice on Local Authority Accounting in the United Kingdom 2014/15
- Financial Statements: A Good Practice Guide for Local Authorities

4.3 Officers will continue to keep abreast of both internal and external developments relevant to the statutory accounts to ensure any new or amended requirements are successfully brought into the 2014/15 Accounts.

4.4 Officers will ensure that engagement with the external auditor is undertaken at an early stage, in order that any changes required can be reviewed ahead of the preparation of next year's accounts.

4.5 We are going to be working closely with the external auditor to plan the 2014/15 audit and we would like to undertake the interim audit as early as possible in January 2015. This will enable much of the audit testing work to be completed prior to the main year-end audit.

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## 2013/14 STATEMENT OF ACCOUNTS



**PLYMOUTH**  
CITY COUNCIL

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**EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS 2013/14**

**WHAT IS THE STATEMENT OF ACCOUNTS?**

Within an organisation of the size and complexity of Plymouth City Council, with a gross annual budget in excess of £550m, the formal accounts are both technical and complex. We have therefore aimed to set out the information within these accounts using simple and clear language and terms wherever possible. However, at times it will be necessary to use technical terms – there is a glossary here to explain the technical terms used.

As part of the accountability for Local Authorities to give confidence that public money has been properly accounted for, we are required by law to produce an annual set of accounts. These accounts cover the financial year April 2013 to March 2014. They show a clear and accurate report of the financial position, informing Stakeholders of Plymouth City Council that we have properly accounted for all of the public money we have received and spent, and that the Council has a secure and sustainable financial standing. Together with the movements in the balance sheet they lay out the ‘net worth’ of the Authority. So, the purpose of this Foreword is to provide a guide to the most significant matters reported in the Council's accounts.

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.



**A WORD FROM OUR SECTION 151 OFFICER**



**Malcolm Coe**  
Assistant Director for Finance

Welcome to our Statement of Accounts!

Plymouth City Council, in line with all other Local Authorities across the country, is facing the biggest challenge in terms of falling central government funding that we have experienced in a very long time

We have faced reducing resources since 2010 during which time the demand for our core services has continued to grow. We have been hugely successful in driving out savings and working more efficiently over the last three years, removing more than £30m from our net revenue budget whilst retaining and improving services to our customers along the way.

However, high level analysis for the financial years from 2014/15 to 2016/17 demonstrates that we could be facing a funding shortfall of £65m if we were to take no further action. To achieve this level of saving against a net revenue budget of £212.560m will require a radical think about how the council organises itself and operates in the future. Quite simply, we cannot retain the delivery of all of our many services to the public of Plymouth at their existing level, through their existing method of delivery.

These accounts are the detailed financial records for 2013/14, the final year of our initial three year financial plan covering 2011/12 to 2013/14. The revenue budget set an ambitious target of reducing spending by £17.6m in year, which is over 8% of the total budget. I am delighted to report that our net spend at the end of the year was just £0.058m more than the budget target that we set, which is a tremendous achievement and testament to the strong financial management and discipline across all areas of the council.

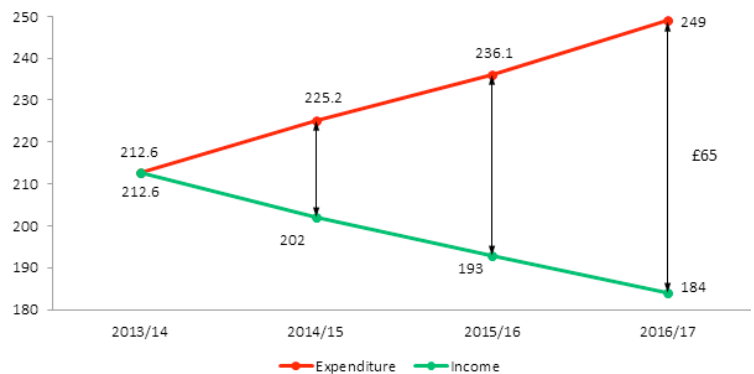
Balancing the budget without the need to draw down against our financial reserves provides us with a strong foundation to address the challenges ahead. However, there are specific areas of departmental service pressure that continue to present us with significant financial risk moving forward, mainly in relation to our Co-operative Commissioning and Adult Social Care programme where costs exceeded the budget by £2.1m at year end. With increasing client numbers linked to people living longer, there is even more need to join in partnership with colleagues from health to place our combined limited funding into preventative work, supporting people to live healthy live-styles within the community.

Within the strained financial climate, the council has set out its future direction in a 'Brilliant Co-operative Council Corporate Plan' which clearly lays out the objectives, outcomes and values that the council is committed to whilst driving down spend and maximising income in order to balance the books. The plan contains ambitious objectives around the themes of Pioneering, Growing, Caring and Confident Plymouth.

Setting a robust, reliable three year balanced budget is crucial for the council to deliver against its co-operative vision. With falling resources and increasing demand and costs on our services, it is imperative that a more strategic, and prioritised, approach is taken to medium term budget setting.

As a Council, we have every confidence that we will succeed in delivering these savings, and emerge in a strong position to take on the next set of financial challenges.

**Funding gap over 3 years**



## OUTTURN POSITION 2013/14 – A SUMMARY

We came very close to balancing the books in 2013/14. Against our budget of £212.560m, our total revenue spend for the year was £212.618m, representing an over spend of £0.058m. Given the size of the challenges we faced, this is a major achievement

The table below shows that all directorates except one came in with actual expenditure below the allocated budget. The exception is the People Directorate, which recorded an overall total overspend across all areas of £0.862m. This includes the £2.1m overspend within the Co-operative Commissioning and Adult Social Care area, and a £0.272m overspend within Children's Social Care, both being offset by major savings from Education, Learning & Family Support and also Homes & Communities.

### PROVISIONAL OUTTURN POSITION 2013/14

Directorate	Budget	Outturn	Year End Overspend / (Underspend)
	£m	£m	£m
People	130.483	131.345	0.862
Place	43.029	42.787	(0.242)
Corporate Services	30.996	30.682	(0.314)
Chief Executive's Office	2.225	2.222	(0.003)
Corporate Items	5.827	5.582	(0.245)
<b>TOTAL</b>	<b>212.560</b>	<b>212.618</b>	<b>0.058</b>

The 2013/14 overspend for the Co-operative Commissioning and Adult Social Care service is attributed to unexpected sustained pressures including Derriford Hospital being on black and red alert for longer than in previous years; an increase in the overall number and cost of Supported Living Learning Disability clients with increasing complexity of need; and the increase to care home fees. To put this in context, we

must consider that this service area is responsible for just under £78m of the Council's net budget, or put another way approx. 37% of the total resource allocation; the adverse position at the end of the year, although a large sum, represents less than a three per cent overspend against the budget.

To offset areas of additional expenditure, we had to reduce all areas of spend, and we again ran a time-limited Voluntary Release Scheme (VRS) which allowed employees to request to leave the Council. There were a total of 131 expressions of interest for received for the scheme, resulting in 46 employees choosing to leave. In addition, a total of 55 employees have left via redundancies.

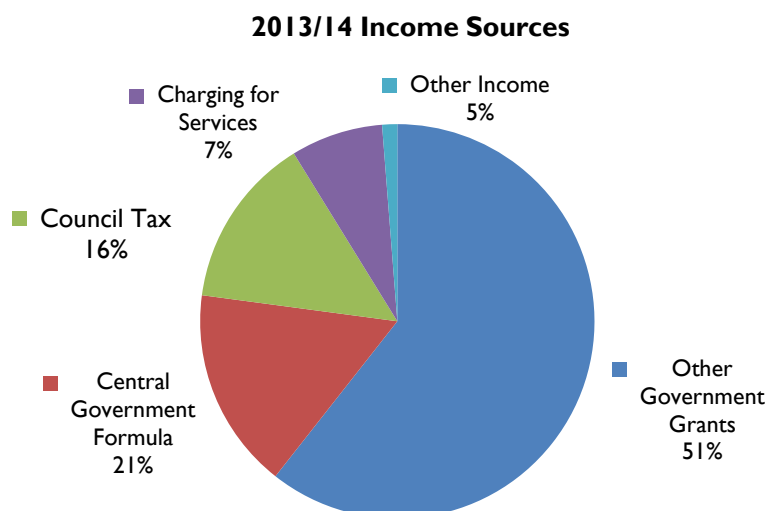


Despite the difficult economic situation, we continued to be successful in collecting both our council tax and our business rates and we also saw the benefit of the Devon-wide Non Domestic Rates (Business Rates) Pool, which in this its first year gave us a benefit of £0.479m through working in partnership

The £0.058m overspend has been met from the General Fund Working Balance. The balance at the start of the year was £10.797m; after taking into account the final deficit for the year of £0.058m, the working balance to carry forward as of 31 March 2014 stands at £10.739m.

	31 March 2013	Outturn	31 March 2014
<b>Working Balance</b>	<b>10.797m</b>	<b>(0.058)m</b>	<b>10.739m</b>

## GENERAL FUND REVENUE ACCOUNT



## MONEY IN...INCOME SOURCES

Our 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 2013/14 revenue budget was financed:-

The Council set a band D Council Tax for the year of £1,269.55 for the Authority's element of Council Tax, at its meeting of 25 February 2013.

## MONEY OUT... WE SPENT OUR MONEY ON

We monitor the expenditure of the Council across three Directorates, being People, Place and Corporate Services, with a small Chief Executive's Office and council-wide areas covered within our Corporate Items.

People Directorate		£m	Place Directorate		£m
Children's Social Care		26.601	Economic Development		1.966
Co-operative Commissioning & Adult Social Care		75.990	Transport & Infrastructure		14.519
Education, Learning & Family Support		17.544	Planning		1.941
Homes & Communities		10.949	Environmental Services		24.871
Management and Support		0.261	Management and Support		(0.510)
<b>Total</b>		<b>131.345</b>	<b>Total</b>		<b>42.787</b>
Corporate Services Directorate		£m	Corporate Items		£m
Finance, Efficiencies, Technology and Assets		17.391	Capital Financing		8.800
Human Resources and Occupational Development		2.773	Major Projects		0.008
Legal & Democracy		4.919	Other Corp. Items		(2.768)
Customer Services		4.834			
Management and Support		0.307			
<b>Total</b>		<b>30.224</b>	<b>Total</b>		<b>6.040</b>
Chief Executive's Office		£m			£m
<b>Total</b>		<b>2.222</b>	<b>Total</b>		<b>212.618</b>

**CAPITAL OUTTURN 2013/14**

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.

Directorate	Budget	Outturn	Year End Overspend / (underspend)
	£m	£m	£m
Corporate Services	5.436	3.957	(1.479)
People Directorate	30.257	28.980	(1.277)
Place Directorate	18.890	14.280	(4.610)
<b>Sub Total</b>	<b>54.583</b>	<b>47.217</b>	<b>(7.366)</b>

The Council has an ambitious capital investment plan, designed to improve the City's infrastructure, economy and housing. For 2013/14, capital expenditure totalled £47.217m, representing 87% of the latest approved budget of £54.583m.

The 2013/14 programme has enabled investment in some notable schemes, including £20m on building and maintaining schools and academies, £4m on removing potholes in roads, £1.9m on Disabled Facilities Grants, a £2m contribution towards the regeneration and modernisation of Plymouth Theatre Royal, supporting £1.6m of Vehicle and Plant replacement on an invest to save basis.

The year-end position highlights £7m re-profiling of schemes into 2014/15, many of these relate to transactions planned to take place towards the end of the year that have not quite come to fruition in time. The main areas are:

- £2.0m of transport schemes
- £1.0m Seaton Land acquisition
- £0.8m settling final account re Chelson Meadow
- £0.4m vehicle replacement

The main variation relates to a reduction in education spend because some academies have directly procured elements of wider projects that the Council originally planned to procure for them.

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. The 2013/14 programme was fully funded:

Capital Receipts	Unsupported Borrowing	Grants	Contributions	Planning Gains	Revenue	Funds	Total
£m	£m	£m	£m	£m	£m	£m	£m
3.114	4.545	34.138	0.992	0.539	3.242	0.647	47.217



## TREASURY MANAGEMENT

The Council's Treasury Management Strategy is approved by Full Council each year. As an overriding principle, the strategy proposed that the Council would 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 would continue to make 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 outcome 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:

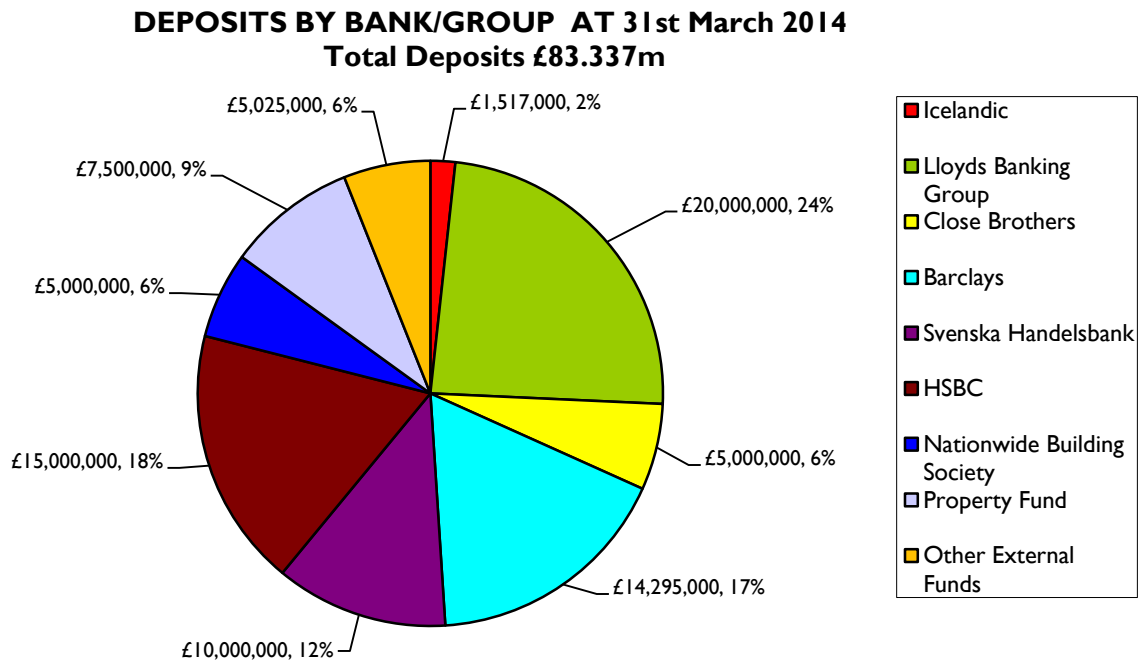
<http://www.plymouth.gov.uk/homepage>

### External Borrowing

At the year-end, borrowing from external lenders totalled £225.139m, as shown in the table below. 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 £448.297m at the 31 March 2014. The table below shows the absolute cash value of the debt which differs from the Balance Sheet value due to accounting treatment requirements.

External Borrowing	Principal O/S	Average Rate
	£m	%
PWLB (Public Works Loan Board)	44.252	5.76
Market Loans	100.000	4.38
Bonds	0.087	0.66
Temporary Loans	80.800	0.30
<b>Total Borrowing</b>	<b>225.139</b>	<b>3.19</b>
PFI	29.440	8.73
Other Finance lease liability	1.938	n/a
Other liabilities	8.889	n/a
<b>Total Debt 31/3/12</b>	<b>265.406</b>	<b>n/a</b>

At the year-end, our investments were as follows:



## OVERVIEW OF THE ACCOUNTING STATEMENTS

### Statutory Duty and Compliance with Regulations

The Accounts and Audit (England) Regulations 2011 require the Council’s Section 151 Officer, the Assistant Director for Finance, to certify that the accounts present a ‘true and fair’ view of the financial position of the Council as at the 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

We are required to prepare the Statements in accordance with the Code of Practice on Local Authority Accounting, based on International Financial Reporting Standards (IFRS). The two key documents:-

- Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and Update (The Code)
- Service Reporting Code of Practice for Local Authorities 2012/13 and Update (SeRCOP)

These codes are updated annually by the Chartered Institute of Public Finance and Accountancy (CIPFA). There were no major changes for 2013/14.

### The Annual Governance Statement

The Code also sets out the statutory requirement, under the Accounts and Audit (England) Regulations 2011, for every local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and to include a statement reporting on the review with the Statement of Accounts. This review takes the form of the Annual Governance Statement (AGS).

In 2011/12 the decision was taken that the AGS would no longer form part of the published Statement of Accounts document but would stand-alone to reflect the fact that its scope is wider than just the financial transactions of the authority. However, it will be published alongside the Statement of Accounts on the Council’s website as is required by the Code. The AGS will be reported to and approved by Audit Committee on 26 June 2014.



## Contents



The Statement of Accounts comprises:

- An Explanatory Foreword
- Statement of Responsibilities for Statement of Accounts
- The Main Accounting Statements and related Notes to the Accounts
- Supplementary Statements in relation to the Collection Fund

The Accounting Statements comprises four Core Financial Statements as follows:

- The Movement in Reserves Statement
- The Comprehensive Income and Expenditure Statement
- The Balance Sheet
- The Cash Flow Statement

These main statements are then supplemented by:

- The Notes to the Core Financial Statements
- The Collection Fund Account
- [A Glossary of technical terms](#)

## 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 £375.792 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 £16.119m on the Balance Sheet. This represents its share of Devon County Council's on-going 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 pension liability as at 31 March 2014 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 20.1% of pensionable salary costs for those employees in the Devon pension scheme and this will remain until 2017 when the next full actuarial is undertaken.

## Partnership Arrangements

### 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.

### Devon Audit Partnership

The Council is part of an Internal Audit Partnership with Torbay Council and Devon County Council. This partnership was set up in April 2009 to improve the provision of Internal Audit services whilst realising efficiency gains across the three authorities. This is held up nationally as an example of good practice. The contract has been extended by a further three years commencing 1 April 2014, with the introduction of the Office of the Police & Crime Commissioner of Devon, Cornwall and the Isles of Scilly to the board, as a non-voting member.

### South West Devon Waste Partnership

The Council is part of a Waste Partnership with Torbay Council & Devon County Council, which was set up in 2008 to source a household waste disposal solution for South West Devon. A 25 year contract was signed with MVV Umwelt in March 2011, with delivery of the service via an "Energy from Waste" (EfW) facility being constructed in Plymouth; the plant is scheduled for completion this autumn.



### **Material Events after the Balance Sheet date**

The Council is required to take into account items occurring after 31 March 2014 if they would have a material effect on the financial information presented and must publish the date up to which such events have been considered. The Statement of Accounts therefore includes all post Balance Sheet events up to and including the 25 September 2014.

### **Contingent Assets & Liabilities**

Contingent assets identify potential income that the Council may recover either as a result of legal action or reimbursement of overpayments. The Council has no contingent assets to declare.

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. The main contingent liabilities are:

PLUSS Organisation Ltd - the Council has guaranteed payments into the pensions fund for transferred employees, and jointly agreed a bank overdraft facility along 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.

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.

Eastern Corridor Integrated Transport Scheme - legal action/claim resulting from delays incurred in the Gdynia way transport scheme

Personal Search Fees - Legal claim disputing whether the Council can charge companies.

Contractor claims relating to Environmental Capital works at Chelson Meadow landfill site

## Financial Position of the Council

### Going into 2014/15

At 31 March 2014 the Council's Working Balance stood at £10.739m or 5.1% of the net revenue budget for 2013/14.

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 2014, the total earmarked reserves were £24.417m, including £6.427m held on behalf of education/schools.



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 2013 totalled £7.975m. Further details of provisions are in note 15 page 47. 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

A number of significant financial pressures still need to be faced in the medium term, with continued uncertainty around future grant funding and notification dates moving later into the year. The Government is also undertaking a full review of the Business Rates - National Non Domestic Rates (NNDR), with the valuation methods and how to account for future (possible) appeals being two major areas which could have a significant impact.

Within Plymouth City Council, for 2014/15 we have to deliver £14.8m of management actions and a further net £1.2m of saving from our Transformation Programme. Any slippage next year will have an impact on the next two years' budget plans, particularly with the transformation programme which accounts for almost 50% of the required savings by 2016/17.



We have set ourselves stretching targets for increasing our council tax income, through new housing build programmes, as well as growing our business rates base by encouraging new business opportunities. We will also build on our first year success with the Devon wide Business Rates Pool to generate further additional rates income.

### Concluding Remarks

The financial statements show that as a result of careful management of the Council's available resources we have achieved a financial outturn for 2013/14 of very close to budget, with a small over spend of £0.058m; maintained an adequate level of reserves and set aside provisions to meet our known future liabilities.

All of these actions leave the Council in a reasonable financial position to cope with the challenges of the future.

The Assistant Director of Finance signed the Draft Statement of Accounts on 26 June 2014. The formal audit of the Draft Statement of Accounts commenced on 1 June 2014, and in line with our statutory

duty we made our accounts available for scrutiny by interested members of the public from 23 June to 21 July 2014.

Following any adjustments, as a result of the audit and/or post balance sheet events, we will present the final Statement of Accounts to the Audit Committee scheduled for September, and following formal sign off we will publish them on our web pages no later than 30 September 2014.

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 Accounts have subsequently been updated following the results of the audit and re-approved by the Council's Section 151 Officer. The final audited Accounts are required to be approved by the Audit Committee and published by 30 September 2014.

Further information is available on the Council's website:

[www.plymouth.gov.uk/homepage/Councilanddemocracy/accounts.htm](http://www.plymouth.gov.uk/homepage/Councilanddemocracy/accounts.htm)

or from David Northey, Head of Corporate Strategy, Civic Centre, Plymouth, PL1 2AA. Telephone: (01752) 305428. Email: [corporateaccountancy@plymouth.gov.uk](mailto: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' page 15.

M Coe  
Assistant Director for Finance  
Civic Centre  
PLYMOUTH  
PL1 2AA

Dated: 25 September 2014



## 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 Assistant Director for Finance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Assistant Director for Finance responsibilities:

The Assistant Director for Finance 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, Assistant Director for Finance has:

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

The Assistant Director for Finance has also:

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

In signing these accounts, the Assistant Director for Finance confirms that these statements give a 'true and fair' view of the financial position of the Authority at 31 March 2014 and of its expenditure and income for the year ended 31 March 2014.

M Coe  
Assistant Director for Finance  
Civic Centre  
PLYMOUTH  
PL1 2AA

Dated: 25 September 2014

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31 MARCH 2014

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.

2012/13 Gross Expenditure	2012/13 Gross Income	2012/13 Net Expenditure		Note	2013/14 Gross Expenditure	2013/14 Gross Income	2013/14 Net Expenditure
£000	£000	£000			£000	£000	£000
(98,324)	24,147	(74,177)	Adult Social Care		(100,643)	24,383	(76,260)
(7,729)	68	(7,661)	Corporate & Democratic Core		(7,376)	271	(7,105)
(30,285)	23,837	(6,448)	Central Services		(6,936)	3,239	(3,697)
(25,686)	3,905	(21,781)	Cultural & Related Services		(19,090)	4,020	(15,070)
(234,256)	165,666	(68,590)	Children's & Educational Services		(238,021)	169,945	(68,076)
(33,543)	6,445	(27,098)	Environmental & Regulatory Services		(34,873)	7,512	(27,361)
(121,326)	108,793	(12,533)	Housing Services		(121,774)	110,467	(11,307)
(40,882)	17,020	(23,862)	Highways & Transport Services		(41,485)	16,339	(25,146)
(1,251)	460	(791)	Non Distributed Costs		(301)	792	491
0	0	0	Public Health		(11,313)	11,350	37
(12,290)	5,901	(6,389)	Planning Services		(8,875)	9,465	590
<b>(605,572)</b>	<b>356,242</b>	<b>(249,330)</b>	<b>Surplus/(Deficit) on Continuing Operations</b>		<b>(590,687)</b>	<b>357,783</b>	<b>(232,904)</b>
(52,936)	2,978	(49,958)	Gain/(Loss) on Disposal of Fixed Assets	8.5	(18,855)	1,337	(17,518)
(138)	4,529	4,391	Other Operating Expenditure		(349)	5,331	4,982
(55,722)	32,184	(23,538)	Financing and Investment Income and Expenditure	6	(51,172)	7,673	(43,499)
0	233,848	233,848	Taxation and Non-Specific Grant Income	7	0	233,138	233,138
		<b>(84,587)</b>	<b>Surplus/(Deficit) on Provision of Services</b>				<b>(55,801)</b>
		7,782	Surplus/(deficit) on revaluation of fixed assets	16.6			7,119
		(4,969)	Re-measurement of the net defined benefit liability (asset)				(4,598)
		(25)	Surplus/(Deficit) on revaluation of Available for sale financials assets				314
		0	Landfill Provision				(9,214)
		<b>2,788</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(6,379)</b>
		<b>(81,799)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(62,180)</b>



**BALANCE SHEET AS AT 31 MARCH 2014**

The Balance Sheet shows the value of the assets and liabilities recognised by the authority as at the Balance Sheet date. The net assets of the authority (assets less liabilities) are matched by the reserves held. 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 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.

31 March 2013		Note	31 March 2014
£000			£000
621,907	Property Plant & Equipment	8	596,537
19,938	Heritage Assets	9	20,144
73,182	Investment Property	10	66,397
2,219	Intangible Assets		2,078
6,558	Long Term Investments	12.1	14,372
1,094	Long Term Debtors		1,461
<b>724,898</b>	<b>Non-current Assets</b>		<b>700,989</b>
10,129	Short Term Investments	12.1	50,168
772	Inventories		853
31,338	Short Term Debtors	13.1	32,227
64,987	Cash & Cash Equivalents	17.4	22,704
4,509	Assets Held for Sale	8.6	6,315
274	LATS allowances		0
<b>112,009</b>	<b>Current Assets</b>		<b>112,267</b>
(37,653)	Short Term Borrowing	12.1	(82,497)
(60,655)	Short Term Creditors	14.1	(74,129)
(2,441)	Short Term Provisions	15	(1,917)
<b>(100,749)</b>	<b>Current Liabilities</b>		<b>(158,543)</b>
(16,434)	Long Term Creditors	14.2	(16,274)
(5,534)	Long Term Provisions	15	(14,925)
(193,857)	Long Term Borrowing		(145,592)
(354,493)	Long Term Liabilities Pensions	27.3 & 27.9	(375,792)
(40,708)	Long Term Liabilities Other	14.3	(39,176)
<b>(611,026)</b>	<b>Long Term Liabilities</b>		<b>(591,759)</b>
<b>125,132</b>	<b>Net Assets</b>		<b>62,954</b>
60,618	Usable Reserves	16.1	63,927
64,514	Unusable Reserves	16.1	(973)
<b>125,132</b>	<b>Total Reserves</b>		<b>62,954</b>

## MOVEMENT IN RESERVES STATEMENT FOR THE YEARS ENDED 31 MARCH 2013 AND 2014

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.

Movement in Reserves Statement	Note	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012		11,301	26,437	9,289	12,393	59,420	147,508	206,928
<b>Movement in Reserves during 2012/13</b>								
Surplus or (deficit) on provision of services		(84,587)	0	0	0	(84,587)	0	(84,587)
Other Comprehensive Expenditure and Income		0	0	0	0	0	2,788	2,788
<b>Total Comprehensive Expenditure and Income</b>		<b>(84,587)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(84,587)</b>	<b>2,788</b>	<b>(81,799)</b>
Adjustments between accounting basis & funding under regulations	5	82,074	0	3,832	(110)	85,796	(85,793)	3
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>		<b>(2,513)</b>	<b>0</b>	<b>3,832</b>	<b>(110)</b>	<b>1,209</b>	<b>(83,005)</b>	<b>(81,796)</b>
Transfers (to) / from earmarked reserves	16	2,009	(2,020)	0	0	(11)	11	0
<b>Increase / (Decrease) in year</b>		<b>(504)</b>	<b>(2,020)</b>	<b>3,832</b>	<b>(110)</b>	<b>1,198</b>	<b>(82,994)</b>	<b>(81,796)</b>
Balance at 31 March 2013		10,797	24,417	13,121	12,283	60,618	64,514	125,132
<b>Movement in Reserves during 2013/14</b>								
Surplus or (deficit) on provision of services		(55,800)	0	0	0	(55,800)	0	(55,800)
Other Comprehensive Expenditure and Income		0	0	0	0	0	(6,378)	(6,378)
<b>Total Comprehensive Expenditure and Income</b>		<b>(55,800)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(55,800)</b>	<b>(6,378)</b>	<b>(62,178)</b>
Adjustments between accounting basis & funding under regulations	5	58,778	0	(258)	599	59,119	(59,119)	0
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>		<b>2,978</b>	<b>0</b>	<b>(258)</b>	<b>599</b>	<b>3,319</b>	<b>(65,497)</b>	<b>(62,178)</b>
Transfers (to) / from earmarked reserves	16	(3,036)	3,026	0	0	(10)	10	0
<b>Increase / (Decrease) in year</b>		<b>(58)</b>	<b>3,026</b>	<b>(258)</b>	<b>599</b>	<b>3,309</b>	<b>(65,487)</b>	<b>(62,178)</b>
Balance at 31 March 2014		10,739	27,443	12,863	12,882	63,927	(973)	62,954



**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.

2012/13		Note	2013/14
£000			£000
(84,587)	Net Surplus or (Deficit) on the Provision of Services	17.1	(54,958)
145,138	Adjustment to Net Surplus or (Deficit) on the Provision of the Services for Non Cash Movement	17.1	77,844
(96,248)	Adjustment for Items included in the net (Surplus) of Deficit on the provision of services that are investing and Financing Activities	17.1	509
<b>(35,697)</b>	<b>Net Cash Flow from Operating Activities</b>		<b>23,395</b>
28,453	Investing Activities	17.2	(63,656)
19,106	Financing Activities	17.3	(2,022)
<b>11,862</b>	<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>		<b>(42,283)</b>
53,125	Cash and Cash Equivalents at the beginning of the Reporting Period	17.4	64,987
<b>64,987</b>	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>	17.4	<b>22,704</b>

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## **I. Accounting Policies**

### **I.1. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 2013/14 (The Code) and the Service Reporting Code of Practice 2013/14 (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.

### **I.2. Accruals of Income and Expenditure**

Income and expenditure is accounted for in the year that it takes place, not simply when cash payments are made or received.

Accruals are made for all material sums unpaid at the year-end for goods or services received or works completed. 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 income and expenditure.

#### Benefit Payments

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

### **I.3. 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.

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

### **I.4. 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, called the Minimum Revenue Provision (MRP), towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **I.5. 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.

### Termination Benefits (e.g. Redundancy Payments)

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

### 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 Educational 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 (LGPS). The Local Government Scheme is accounted for as a defined benefits scheme.

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the Merrill Lynch AA rated corporate bond).

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

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

### 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.

#### IAS 19 Employee Benefits

IAS 19 Employee Benefits rules were adopted on 1 April 2013.

The main impact in the accounts of the revised requirements are:-

- Removal of the expected return on assets, have been replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities;
- Administration expenses are now accounted for within the Comprehensive Income and Expenditure Statement charges rather than being netted off the actual and expected returns on assets.

### **1.6. 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.

### **1.7. 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 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 Council's policy is to spread 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.

#### 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. 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. Where the repayment period exceeds one year these are classified as Long Term Debtors on the Balance Sheet.

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.

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.

## Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority 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. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

### Available-for-sale assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. The investment relates to a financial instrument with a quoted market price and is therefore maintained in the Balance Sheet at fair value.

### Impairment

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 PLUS 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 PLUS in its Balance Sheet, but continues to disclose the guarantee as a contingent liability.

## 1.8. 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.

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

## **1.9. Agency Services**

The Authority has a number of arrangements in place where it is acting as an agent for a third party.

The Council does not recognise the transactions relating to its agency activities within the accounts, with the exception of the administration charges received for services provided which are recognised in the Comprehensive Income and Expenditure Statement.

### Devon Business Rates Pool

In accordance with paragraph 34 of Schedule 7B to the Local Government Finance Act 1988 the Secretary of State designated the Local Authorities of Devon as a pool of authorities for the purpose of the scheme for local retention of non-domestic rates.

Plymouth City Council is the Lead authority of the Pool and undertakes the following functions:

- Makes and receives, on behalf of the pool members, payments in respect of any top-ups and tariffs, levy and safety net and safety net on account payments from DCLG.
- Makes and receives payments between members of the Pool as determined by the governance agreement.
- Administers the Pool in accordance with the governing arrangements.

## **1.10. 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 on the Council's Balance Sheet relate to the purchase of software licences. The useful life assigned to the major software suites used by the authority is 5 years.

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.

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.

## **1.11. 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 it incurs and the share of income it earns from the activity of the operation.

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.

### **1.12. Interests in Companies and Other Entities**

The Authority has interests in other Entities, Subsidiaries, Associates or Joint Ventures. However, currently, these are not considered sufficiently material to require the preparation of Group Accounts.

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.

### **1.13. 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.

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.

### **1.14. 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. Nevertheless, 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.

### **1.15. 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)**

#### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor, 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).

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.

#### 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.

#### 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 operations in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

### **1.16. 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 2013/14 (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 the (surplus)/deficit on continuing operations.

### **1.17. 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 policy of assets capitalisation (including donated assets) de-minimus level of £10,000 for land and property and £5,000 for vehicle, plant and equipment. However, there is no de-minimus for capital spend by individual schools financed from capital grants.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost (except for the Tamar Toll Bridge which is depreciated at the replacement cost);
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use.

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

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

Impairment

Assets are assessed at each year-end 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.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life such as freehold land and certain Community Assets, and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on a straight line basis over the useful life of the asset as determined by the valuer. Depreciation is charged to the 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 50 years
Schools	10 to 40 years
Other buildings	10 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.

#### Assets Held for Sale

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

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

#### Disposals

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

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

### **1.18. 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).

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.

### **1.19. Private Finance Initiative (PFI) and Similar Contracts**

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

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

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the 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 costs – these are incurred by the contractor over the life of the contract in order to maintain assets used to operationally acceptable standard. The expenditure is non-enhancing in nature and therefore charged to the relevant service in the Comprehensive Income and Expenditure Statement.

#### PFI credits

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

### **1.20. Provisions, Contingent Liabilities and Contingent Assets**

#### Provisions

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

### **1.21. 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.

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.

### **1.22. 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.

## **2. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note I, 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 are:

#### Implications of Government Funding Reforms / Reductions

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.

#### Accounting for Schools – Balance Sheet Recognition of Schools

There continues to be uncertainty regarding the accounting treatment of schools' non-current assets and whether the assets of schools, such as Academies, where title does not sit with the local authority, should appear on the local authority balance sheet.

The Council continues to recognise Community and Voluntary Controlled schools on the Balance Sheet, based on the assessment of the control of the economic benefits and service potential of these assets.

#### Accounting for Schools - Transfers of status

When a school that is held on the Council's balance sheet transfers to Academy, Trust or Voluntary Aided status the non-current assets are removed from the Authority's balance sheet. Where the approval for the transfer and the transfer date occur in the same financial year the Council accounts for this as a disposal for nil consideration. However, where the approval date and transfer date straddle two financial years, assets values are impaired down to nil in the year of approval, with the disposal then occurring in the following financial year when the transfer actually takes place.

#### Capitalisation of Waste Partnership PFI as at 31 March 2014

The Council is part of The Devon Waste Partnership with Torbay Council & Devon County Council which was set up formally in 2008 to source a household waste disposal solution for South West Devon. The PFI contract to build the new energy from waste plant in Plymouth is being constructed by a German Company MVV Umwelt.

The energy from waste plant is under construction and is due to be completed in autumn 2014. The Council has not included the assets under construction on to its balance sheet because the contract gives the responsibility of the liabilities and the assets to the contractor until the plant comes into operation. The Council will bring one third of the assets and liabilities on to their balance sheet during 2014/15.

#### Classification of Tamar Bridge

The Council has decided to create a separate classification of Infrastructure for the Tamar Bridge. The Tamar Bridge is classified as an Infrastructure Asset – Toll Bridge and the carrying value is measured on a depreciated replacement cost (DRC) basis due to the relationship between the income from the bridge tolls and the cost of replacing the bridge.

Under the CIPFA Code, infrastructure assets should be measured at historical cost but in order to ensure that the financial statements present a fair representation of the value of the assets on the balance sheet the Council will depart from the Code and will keep the DRC valuation basis.

### **3. 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 2014 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
<b>Pensions Liability</b>	Variations in assumptions made by the Pension Fund Actuary in respect of (gains)/losses forecasted by the Pension Fund and to the mortality rates of members drawing from the Pension Fund	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 1 year increase in mortality rate assumptions would result in a change to the pension liability of £31.8m.
<b>Employee Benefits</b>	The Council is required to accrue for employee benefits earned but not taken by 31 March 2014. 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 the total employee numbers to produce the information on the accrual. In total, a sample of 15.34% 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 the timing of the financial 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.
<b>Business Rates</b>	Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2013/14 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2014. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2014.	If the refunds payable to rate payers higher than the provision, the difference will create/increase the deficit on the Collection Fund. The proportionate share of the deficit will impact on the Council's General Fund in future years. Any estimate of surplus or deficit on the Collection Fund in taken into account when setting the revenue budget.

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

#### 4. Events after the Balance Sheet date

The Statement of Accounts was authorised by the Council's Section 151 Officer on 25 September 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The relevant material non-adjusting events pertinent to the understanding of the Authority's financial position are as follows:

##### Banking Arrangements

From 1 April 2014, the Authority will move its banking arrangements from The Co-operative Bank plc to Barclays Bank plc.

##### ICT Services

Delt Shared Services Limited is a company jointly owned by Plymouth City Council and the Clinical Commissioning Group (CCG) and has been set up to provide the ICT requirements for both organisations. The Council has agreed to transfer its ICT services to Delt Shared Services Limited at a cost of circa £5.5m per year. This arrangement will drive out both operational and financial benefits for both organisations.

## 5. 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.

Adjustments between Accounting Basis and Funding Basis under Regulations	2012/13				2013/14			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>								
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Charges for depreciation and impairment of non-current assets	54,447	0	0	(54,447)	37,118	0	0	(37,118)
Movements in the market value of Investment Properties	3,155	0	0	(3,155)	6,677	0	0	(6,677)
Amortisation of intangible assets	709	0	0	(709)	655	0	0	(655)
Capital grants and contributions	(36,383)	0	36,383	0	(34,997)	0	34,997	0
Movement in the Donated Assets Account	(10)	0	0	10	0	0	0	0
Revenue expenditure funded from capital under statute	15,678	0	0	(15,678)	19,107	0	0	(19,107)
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	49,789	0	0	(49,789)	17,291	0	0	(17,291)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment	(9,424)	0	0	9,424	(9,505)	0	0	9,505
Capital expenditure charged against the General Fund	(1,181)	0	0	1,181	0	0	0	0
<b>Adjustments involving the Capital Receipts Reserve:</b>								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	3,252	0	(3,252)	0	1,673	0	(1,673)
Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement	(4,527)	4,527	0	0	(5,174)	5,174	0	0
<b>Total C/FWD</b>	<b>72,253</b>	<b>7,779</b>	<b>36,383</b>	<b>(116,415)</b>	<b>31,172</b>	<b>6,847</b>	<b>34,997</b>	<b>(73,016)</b>

Adjustments between Accounting Basis and Funding Basis under Regulations	2012/13				2013/14			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Total B/FWD</b>	<b>72,253</b>	<b>7,779</b>	<b>36,383</b>	<b>(116,415)</b>	<b>31,172</b>	<b>6,847</b>	<b>34,997</b>	<b>(73,016)</b>
Long term debtor repayments in year	0	38	0	(38)	0	40	0	(40)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(3,977)	0	3,977	0	(7,139)	0	7,139
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	8	(8)	0	0	5	(5)	0	0
<b>Adjustments involving the Capital Grants Unapplied Account:</b>								
Use of the Capital Grants unapplied Account to finance new capital expenditure	0	0	(36,493)	36,493	0	0	(34,398)	34,398
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	106	0	0	(106)	15,446	0	0	(15,446)
<b>Adjustments involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	34,540	0	0	(34,540)	36,707	0	0	(36,707)
Employer's pensions contributions and direct payments to pensioners payable in the year	(21,345)	0	0	21,345	(20,130)	0	0	20,130
<b>Adjustments involving the Collection Fund Adjustment Account:</b>								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(318)	0	0	318	(680)	0	0	680
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account</b>								
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(1,843)	0	0	1,843	(4,209)	0	0	4,209
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,327)	0	0	1,327	467	0	0	(467)
<b>Total Adjustments</b>	<b>82,074</b>	<b>3,832</b>	<b>(110)</b>	<b>(85,796)</b>	<b>58,778</b>	<b>(257)</b>	<b>599</b>	<b>(59,120)</b>



## 6. 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 12 on page 41.

Analysis of Income / Expenditure	2012/13	2013/14
	£000	£000
Interest payable and similar charges	(12,254)	(8,668)
Premium on Early Repayment of Debt	0	(16,507)
Pensions interest cost and expected return on pension assets	(11,181)	(15,441)
Interest receivable and similar income	1,108	1,215
(Surpluses) / deficits on trading undertakings not included in Net Cost of Services	(530)	109
Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal	(681)	(4,207)
<b>Total</b>	<b>(23,538)</b>	<b>(43,499)</b>

## 7. Taxation and Non Specific Grant Income

This item consolidates all the grants and contributions receivable that cannot be identified to particular service expenditure. 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.

Analysis of Income	2012/13	2013/14
	£000	£000
Council tax income	96,495	85,957
Non domestic rates	105,543	51,687
Non-ring-fenced government grants	9,094	80,346
Capital grants and contributions	22,716	15,148
<b>Total</b>	<b>233,848</b>	<b>233,138</b>

## 8. Property, Plant and Equipment

### 8.1. Movement in Year

The movement in Property Plant and Equipment (PPE) in 2013/14 is summarised in the following table:

2013/14	Other Land & Buildings	Vehicles, Plant, Furniture & Fittings	Infrastructure Assets	Toll Bridge	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1 April 2013	422,385	52,598	146,259	110,785	1,565	6,025	9,331	748,948	28,118
Additions	11,654	3,461	6,089	8	0	4	4,311	25,527	17
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,241)	0	330	0	0	19	0	(3,892)	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,724)	0	0	0	0	(1,252)	0	(5,976)	0
De-recognition - disposals	(485)	(719)	(176)	0	0	0	0	(1,380)	0
De-recognition - other	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	(2,612)	0	0	0	0	(650)	0	(3,262)	0
Other movements in cost or valuation	(19,764)	(408)	1,275	0	0	844	(3,752)	(21,805)	0
<b>At 31 March 2014</b>	<b>402,213</b>	<b>54,932</b>	<b>153,777</b>	<b>110,793</b>	<b>1,565</b>	<b>4,990</b>	<b>9,890</b>	<b>738,160</b>	<b>28,135</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2013	(45,210)	(24,097)	(46,771)	(7,348)	(1,143)	(2,472)	0	(127,041)	(1,875)
Depreciation charge	(12,432)	(4,198)	(7,847)	(1,847)	0	(125)	0	(26,449)	(604)
Depreciation written out to the Revaluation Reserve	6,400	0	0	0	0	0	0	6,400	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,234	0	0	0	0	283	0	1,517	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	4,405	0	0	0	0	0	0	4,405	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(6,877)	(96)	0	0	0	904	0	(6,069)	0
De-recognition - disposals	33	535	101	0	0	0	0	669	0
De-recognition - other	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	4,919	139	0	0	0	(113)	0	4,945	0
<b>At 31 March 2014</b>	<b>(47,528)</b>	<b>(27,717)</b>	<b>(54,517)</b>	<b>(9,195)</b>	<b>(1,143)</b>	<b>(1,523)</b>	<b>0</b>	<b>(141,623)</b>	<b>(2,479)</b>
<b>Net Book Value</b>									
<b>At 31 March 2014</b>	<b>354,685</b>	<b>27,215</b>	<b>99,260</b>	<b>101,598</b>	<b>422</b>	<b>3,467</b>	<b>9,890</b>	<b>596,537</b>	<b>25,656</b>
<b>At 31 March 2013</b>	<b>377,175</b>	<b>28,501</b>	<b>99,488</b>	<b>103,437</b>	<b>422</b>	<b>3,553</b>	<b>9,331</b>	<b>621,907</b>	<b>26,243</b>

2012/13	Other Land & Buildings	Vehicles, Plant, Furniture & Fittings	Infrastructure Assets	Toll Bridge	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1 April 2012	477,358	51,862	140,732	110,472	1,522	7,055	9,394	798,395	28,099
Additions	16,838	3,355	4,602	313	43	115	4,584	29,850	19
Donations	0	10	0	0	0	0	0	10	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	443	0	0	0	0	(1,191)	0	(748)	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(20,561)	(33)	0	0	0	(459)	0	(21,053)	0
De-recognition - disposals	(9,595)	(985)	(30)	0	0	0	0	(10,610)	0
De-recognition - other	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	(1,366)	0	0	0	0	(1,931)	0	(3,297)	0
Other movements in cost or valuation	(40,732)	(1,611)	955	0	0	2,436	(4,647)	(43,599)	0
<b>At 31 March 2013</b>	<b>422,385</b>	<b>52,598</b>	<b>146,259</b>	<b>110,785</b>	<b>1,565</b>	<b>6,025</b>	<b>9,331</b>	<b>748,948</b>	<b>28,118</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2012	(36,620)	(20,549)	(38,978)	(5,507)	(1,109)	(3,325)	0	(106,088)	(1,272)
Depreciation charge	(14,263)	(4,572)	(7,754)	(1,841)	0	(46)	0	(28,476)	(603)
Depreciation written out to the Revaluation Reserve	7,409	0	0	0	0	950	0	8,359	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	4,686	11	0	0	0	180	0	4,877	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	(1,122)	0	0	0	0	776	0	(346)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(9,144)	(5)	0	0	(34)	(568)	0	(9,751)	0
De-recognition - disposals	2,525	454	25	0	0	0	0	3,004	0
De-recognition - other	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	1,319	564	(63)	0	0	(439)	0	1,381	0
<b>At 31 March 2013</b>	<b>(45,210)</b>	<b>(24,097)</b>	<b>(46,770)</b>	<b>(7,348)</b>	<b>(1,143)</b>	<b>(2,472)</b>	<b>0</b>	<b>(127,040)</b>	<b>(1,875)</b>
<b>Net Book Value</b>									
<b>At 31 March 2013</b>	<b>377,175</b>	<b>28,501</b>	<b>99,489</b>	<b>103,437</b>	<b>422</b>	<b>3,553</b>	<b>9,331</b>	<b>621,908</b>	<b>26,243</b>
<b>At 31 March 2012</b>	<b>440,738</b>	<b>31,313</b>	<b>101,754</b>	<b>104,965</b>	<b>413</b>	<b>3,730</b>	<b>9,394</b>	<b>692,307</b>	<b>26,827</b>

## 8.2. Commitments Under Capital Contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2014 amounted to £19.484m (31 March 2013 £30.589m). 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.

## 8.3. 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 buildings 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, 3 schools transferred to Trust status and 3 schools transferred to Academy status, 2 of which had previously held Trust status.

## 8.4. Revaluations/Impairments

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment (PPE) 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.

## 8.5. Gain/Loss on Disposal of Fixed Assets

In 2013/14, the Council incurred a net loss on disposal of fixed assets of £17.518m (2012/13 £49.958m).

Assets Written Off Balance Sheet	2012/13	2013/14
	£000	£000
Land & Property Sales	6,900	601
Academy and Trust Schools	43,058	16,917
<b>Total</b>	<b>49,958</b>	<b>17,518</b>

## 8.6. Assets Held for Sale

The Council has non-current assets that are held for sale as at 31 March 2014. The value of the assets held for sale are £6.315m (2012/13 £4.509m).

## 9. Heritage Assets

The Council holds heritage assets that are held in the following types of asset:

### Historic Buildings & Monuments

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

The Council has a number of other Heritage Assets that are used significantly for the provision of services and therefore are required to be recognised within Property, Plant & Equipment.

### Gold, Silver & Jewellery and Fine Art & World Cultures

The Authority's Gold, Silver & Jewellery and Fine Art & World Cultures collections are reported in the balance sheet at insurance valuation which is based on market values.

The Council's policy for the acquisition, preservation and management of museum assets can be found on [www.plymouth.gov.uk](http://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:-

Heritage Assets	Buildings	Fine Art	Gold, Silver & Jewellery	Total Assets
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
As at 1 April 2012	1,713	13,135	4,562	19,410
Additions	0	0	12	12
Revaluations	0	500	16	516
<b>As at 31 March 2013</b>	<b>1,713</b>	<b>13,635</b>	<b>4,590</b>	<b>19,938</b>
<b>Cost or Valuation</b>				
As at 1 April 2013	1,713	13,635	4,590	19,938
Revaluations	0	205	1	206
<b>As at 31 March 2014</b>	<b>1,713</b>	<b>13,840</b>	<b>4,591</b>	<b>20,144</b>

## 10. 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 summarises the movement in the fair value of investment properties over the year.

Analysis of movement in Investment Properties	2012/13	2013/14
	£000	£000
Balance at 1 April	76,940	73,182
Additions	0	0
Disposals	(102)	(108)
Net gains / (losses) from fair value adjustments	(3,195)	(6,677)
<b>Transfers:</b>		
(to) / from Inventories	(61)	0
(to) / from Property, Plant & Equipment	(400)	0
Other changes	0	0
<b>Balance at 31 March</b>	<b>73,182</b>	<b>66,397</b>

## 11. 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 Financing Requirement	2012/13	2013/14
	£000	£000
<b>Opening Capital Financing Requirement 1 April</b>	<b>277,560</b>	<b>275,779</b>
<b>Capital Investment</b>		
Property, Plant & Equipment	29,940	25,402
Intangible Assets	876	517
Revenue Expenditure Funded from Capital under Statute	15,589	19,093
Other Capital Expenditure	10	130
<b>Total</b>	<b>46,415</b>	<b>45,142</b>
<b>Sources of Finance</b>		
Capital Receipts	(3,977)	(7,139)
less: Long Term Debtors written out in year	28	33
Grants & Contributions applied in year	(33,851)	(35,668)
Revenue & Other Funds	(972)	(3,889)
Minimum Revenue Provision	(9,424)	(9,505)
<b>Total</b>	<b>(48,196)</b>	<b>(56,168)</b>
<b>Closing Capital Financing Requirement 31 March</b>	<b>275,779</b>	<b>264,753</b>
<b>Explanation of Movement in Year</b>		
Increase in underlying need to borrow (supported by Government financial assistance)	107	0
Increase in underlying need to borrow (unsupported by Government financial assistance)	7,805	3,621
Reduction in underlying need to borrow resulting from other changes in Capital financing Requirement	(9,693)	(14,647)
<b>Increase/Decrease in Capital Financing Requirement</b>	<b>(1,781)</b>	<b>(11,026)</b>

## 12. Financial Instruments

### 12.1. Financial Instrument Balances

A financial instrument is a contract that gives rise to a rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

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

Analysis of Financial Instruments	Long-Term		Current		Total	
	31 Mar 13	31 Mar 14	31 Mar 13	31 Mar 14	31 Mar 13	31 Mar 14
	£000	£000	£000	£000	£000	£000
<b>Financial liabilities at amortised cost</b>						
PWLB Debt	(61,315)	(44,252)	(1,268)	(287)	(62,583)	(44,539)
Other Borrowings	(132,543)	(101,340)	(36,385)	(82,210)	(168,928)	(183,550)
Deferred Liabilities	(31,393)	(30,332)	(1,042)	(1,045)	(32,435)	(31,377)
Other Liabilities	(8,687)	(8,412)	(469)	(477)	(9,156)	(8,889)
Trade Creditors	0	0	(28,873)	(20,883)	(28,873)	(20,883)
<b>Total Financial Liabilities</b>	<b>(233,938)</b>	<b>(184,336)</b>	<b>(68,037)</b>	<b>(104,902)</b>	<b>(301,975)</b>	<b>(289,238)</b>
<b>Loans and receivables:</b>						
Investments	1,558	1,558	10,129	50,168	11,687	51,726
Contractual debtors (net of impairment)	1,094	1,461	14,535	10,411	15,629	11,872
Cash & cash equivalents	0	0	64,987	22,704	64,987	22,704
<b>Available for sale investments:</b>						
Long term investments at fair value	5,000	12,814	0	0	5,000	12,814
<b>Total Financial Assets</b>	<b>7,652</b>	<b>15,833</b>	<b>89,651</b>	<b>83,283</b>	<b>97,303</b>	<b>99,116</b>

Note: LOBOs of £41m have been included in long term borrowing but have a call date in the next 12 months.

### 12.2. 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:

Gains / Losses on Financial Instruments	2012/13			2013/14		
	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables	Total
	£000	£000	£000	£000	£000	£000
Interest expense	(12,552)	0	(12,552)	(27,452)	0	(27,452)
Impairment losses	0	298	298	0	2,277	2,277
Interest payable and similar charges	(12,552)	298	(12,254)	(27,452)	2,277	(25,175)
Interest income	0	1,108	1,108	0	1,215	1,215
Interest and investment income	0	1,108	1,108	0	1,215	1,215
<b>Net (gain)/loss for the year</b>	<b>(12,552)</b>	<b>1,406</b>	<b>(11,146)</b>	<b>(27,452)</b>	<b>3,492</b>	<b>(23,960)</b>

### 12.3. 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 Council's investment portfolio at the Balance Sheet date consisted mainly 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.

Investments held on the balance sheet as available for sale are shown at fair value. This being the value obtainable by the authority if this investment was sold on the balance sheet date.

Comparison of Financial Liabilities	31 Mar 2013		31 Mar 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB - maturity	(62,583)	(88,583)	(44,539)	(60,885)
LOBOs	(134,027)	(194,333)	(102,644)	(129,391)
Short term borrowing	(34,812)	(34,812)	(80,819)	(80,819)
Other borrowing	0	0	(88)	(88)
Deferred Liabilities	(32,435)	(32,435)	(31,378)	(31,377)
Other Liabilities	(9,244)	(9,244)	(8,977)	(8,889)
Creditors	(28,873)	(28,873)	(20,883)	(20,883)
<b>Total Financial liabilities</b>	<b>(301,974)</b>	<b>(388,280)</b>	<b>(289,328)</b>	<b>(332,332)</b>

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.

Comparison of Financial Assets	31 Mar 2013		31 Mar 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Deposits with banks and building societies	10,129	10,129	50,168	50,168
Cash & cash equivalents	64,987	64,987	22,704	22,704
Contractual Debtors	15,629	15,629	11,872	11,872
<b>Total Financial assets</b>	<b>90,745</b>	<b>90,745</b>	<b>84,744</b>	<b>84,744</b>

The fair value of the Financial Assets is equal to the carrying amount because the Council's portfolio of investments at balance sheet date, in the main, consisted of cash equivalent and short-term deposits.



## 12.4. Nature and Extent of Risks Arising from Financial Instruments

The Council has adopted CIPFA's code of Practice on Treasury Management and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The strategy sets out the parameters for the management of risks associated with Financial Instruments.

Full details of the Council's Treasury Management Policy can be found at:

[http://www.plymouth.gov.uk/treasury\\_management\\_annual\\_investment\\_strategy.pdf](http://www.plymouth.gov.uk/treasury_management_annual_investment_strategy.pdf)

The treasury Management Strategy includes an Annual Investment Strategy in compliance with the Department for Communities and Local Government (CLG) Investment Guidance for local authorities. The guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

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

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

### Credit Risk

Credit risk 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. The minimum credit rating criteria set for new investments with these financial institutions was a long term rating of A-/A3/A- (Fitch/Moody's/S&P). Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swaps and equity prices when selecting commercial organisations for investment.

A maximum limit of £30.00m of the total portfolio is placed on the amount that can be invested with a single counterparty. This limit and the maximum maturity of deposits are based on the credit quality of the organisation. The Council used UK Bank reserve accounts, allowing instant access to funds and where longer term investments were made these have been restricted to a maximum 1 year.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by the Council.

The Council'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 does not generally allow credit for customers. After 28 days, recovery procedures are undertaken to recover any outstanding debt. The overdue amount can be analysed by age as follows (including balances outstanding up to 28 days):-

### Icelandic Bank Deposits

The Council had £13.000m deposited with Icelandic banks which entered administration in 2008 and subsequently submitted a claim for £13.746m including interest. The Council has 1.517m outstanding as at 31 March 2014.

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 and has therefore accounted for recovery on a cash receipt basis. This differs from the guidance issued by CIPFA under LAAP 82 (as updated May 2013), which recommends the recoveries for Heritable, Landsbanki and Glitnir based on assumed collection rates of 88%, 100% and 100% respectively.

Liquidity Risk

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

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	31 Mar 2013	31 Mar 2014
	£000	£000
Public Works Loans Board	(61,315)	(44,252)
Market debt	(130,000)	(100,000)
Temporary borrowing	(34,800)	(80,800)
Other borrowing	0	(88)
Deferred Liability (PFI)	(30,246)	(29,440)
Deferred Liability (Finance Leases)	(2,189)	(1,937)
Other Liabilities	(9,244)	(8,889)
Trade Creditors	(28,873)	(20,883)
<b>Total</b>	<b>(296,667)</b>	<b>(286,289)</b>
Less than 1 year	(65,272)	(103,293)
Between 1 and 2 years	(1,521)	(1,358)
Between 2 and 5 years	(4,243)	(4,400)
Between 5 and 10 years	(11,765)	(12,259)
Between 10 and 20 years	(48,789)	(48,184)
Between 20 and 30 years	(11,685)	(10,469)
Between 30 and 40 years	(8,991)	(7,259)
Between 40 and 50 years	(32,979)	(17,659)
Over 50 years	(111,422)	(81,408)
<b>Total</b>	<b>(296,667)</b>	<b>(286,289)</b>

There is £41.000m in the over 50 year category of LOBO's which have a call date in the next 12 months.

£80.800m of short term borrowing in place at 31 March 2014 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 2013/14 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.

Investments classed as "loans and receivables" and loans borrowed are not carried at fair value, so changes in their value will have no impact on the Comprehensive Income and Expenditure Statement. However changes in interest payable and receivable on variable rate borrowings and investments will be posted to the (surplus) or deficit on the Provision of Services.

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.

#### Market Risk: Price Risk

The market price of the Council's units in collective investment schemes are governed by prevailing interest rates and economic conditions and the risk associated with these instruments is managed alongside interest rate risk.

The Council does not invest in any equity shares and is therefore is not subject to equity price risk.

#### Market Risk: Foreign Exchange Risk

The Council currently has approximately £1.2m 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 i.e. British Pounds.

### 13. Debtors

#### 13.1. 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. The table below represents the net amount the Authority expects to collect from debtors existing at the balance sheet date.

Category of Debtor	31 Mar 2013	31 Mar 2014
	£000	£000
<b>Amounts Falling Due in One Year</b>		
Central Government Departments	8,468	6,522
Public corporations & Trading Funds	0	21
NHS Bodies	1,127	5,189
Other Local Authorities	1,486	1,652
Other entities and individuals	20,257	18,843
<b>Total Short Term Debtors</b>	<b>31,338</b>	<b>32,227</b>

#### 13.2. Bad Debt Provision

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

Analysis of Provisions held	31 Mar 2013	Provision made in year	Provision used in year	31 Mar 2014
	£000	£000	£000	£000
General Fund	(1,957)	(102)	734	(1,325)
Housing Benefit Overpayments Provision	(2,365)	(400)	251	(2,514)
Collection Fund	(3,128)	(268)	165	(3,231)
<b>Total Provisions For Bad Debt</b>	<b>(7,450)</b>	<b>(770)</b>	<b>1,150</b>	<b>(7,070)</b>

## 14. Creditors

### 14.1. Short Term Creditors

Creditors payable within the next 12 months are:

Category of Creditor	31 Mar 2013	31 Mar 2014
	£000	£000
Central Government Departments	(8,298)	(17,556)
Corporations & Trading Funds	(11)	(872)
NHS Bodies	(2,501)	(1,113)
Other Local Authorities	(2,663)	(3,028)
Other entities and individuals	(47,182)	(51,560)
<b>Total</b>	<b>(60,655)</b>	<b>(74,129)</b>

### 14.2. Long Term Creditors

Creditors falling due after more than 12 months are:

Category of Creditor	31 Mar 2013	31 Mar 2014
	£000	£000
Other Local Authorities	(16,243)	(16,120)
Other entities and individuals	(191)	(154)
<b>Total</b>	<b>(16,434)</b>	<b>(16,274)</b>

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 (i.e. pre 1 April 1998).

### 14.3. Other Long Term Liabilities

Analysis of Other Long Term Liabilities	31 Mar 2013	31 Mar 2014
	£000	£000
PFI Finance Leases	(29,440)	(28,611)
Other Finance Leases	(1,953)	(1,721)
Tamar Science Park	(628)	(432)
Cornwall Council - re Tamar Bridge & Torpoint Ferry Joint Committee	(8,687)	(8,412)
<b>Total</b>	<b>(40,708)</b>	<b>(39,176)</b>

## 15. 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 provisions for the year are £16.842m and includes short term provisions (£1.917m) (2012/13 (£2.441m)) and long term provisions (£14.925m) (2012/13 (£5.534m)). The balance on the provisions at year end together with movement in the year is outlined below:

Analysis of Provisions held	31 Mar 2013	Provisions made in year	Provisions used in year	Unused amounts reversed in year	31 Mar 2014
	£000	£000	£000	£000	£000
Insurance Provisions	(6,404)	(2,293)	1,583	540	(6,574)
Landfill Site Provision	0	(9,214)	0	0	(9,214)
Other Provisions	(1,571)	(1,386)	1,903	0	(1,054)
<b>Total Provisions</b>	<b>(7,975)</b>	<b>(12,893)</b>	<b>3,486</b>	<b>540</b>	<b>(16,842)</b>

Details about the main provisions held are as follows:

### Insurance Provisions

The Council insures only part of its risks externally through insurance companies, with other risks covered by specific internal funding. The insurance provision receives contributions from charges made to service revenue accounts for insurance, and payments are made from the fund in respect of insurable liabilities, which are covered internally. At the year end, the balance on the various funds equates to the best estimate of liabilities from claims.

All of the Council's buildings are insured against fire, whilst some are also covered against other perils. Liability cover includes public liability and employer's liability.

### Landfill Site Provision

The Council has made a provision of £9.214m to reflect the Council's on-going liability for the closed landfill site at Chelston Meadow. The provision has been calculated on the future maintenance costs over the next 54 years.

## 16. Reserves

### 16.1. 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 held with further analysis of individual reserve categories being shown in the remainder of this section.

Analysis of Reserves	Note	31 Mar 2013	31 Mar 2014
		£000	£000
<b>Usable Reserves</b>			
General Fund Balance	16.2	10,797	10,739
Earmarked General Fund Reserves	16.3	24,417	27,443
Capital Receipts Reserve	16.4	13,121	12,863
Capital Grants and Contributions Unapplied	16.5	12,283	12,882
<b>Total Usable Reserves</b>		<b>60,618</b>	<b>63,927</b>
<b>Unusable Reserves</b>			
Revaluation Reserve	16.6	115,422	111,329
Capital Adjustment Account	16.7	326,741	301,448
Financial Instruments Adjustment Account		(4,038)	(19,484)
Pensions Reserve	16.9	(370,736)	(391,911)
Collection Fund Adjustment Account		845	1,526
Unequal Pay Back Pay Account		0	0
Accumulating Compensated Absences Adjustment Account		(3,715)	(4,182)
Deferred Capital Receipts		20	12
Available for Sale Financial Instruments Reserve		(25)	289
<b>Total Unusable Reserves</b>		<b>64,514</b>	<b>(973)</b>
<b>Total Reserves</b>		<b>125,132</b>	<b>62,954</b>

## 16.2. General Fund Balance

The General Fund Balance (also known as the 'Working Balance') represents accumulated surplus of income over expenditure in relation to the Authority's revenue activities. The balance may be utilised to provide for unforeseen circumstances, ensure that payments can be made pending the receipt of income, or to support the annual revenue budget (thus reducing the Council Tax levy). The balance at the start of the year was £10.797m. After taking into account the revenue deficit for the year of £0.058m the balance at 31 March 2014 was £10.739m.

## 16.3. Earmarked Reserves

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

Analysis of Earmarked Reserves	31 Mar 2013	Transfer to Reserves in year	Transfers from Reserves in year	31 Mar 2014
	£000	£000	£000	£000
Education/Schools Earmarked Reserves	6,427	8,202	(5,010)	9,619
PCC Earmarked Reserves for policy/future liabilities	13,917	6,421	(9,864)	10,474
Other Ring-fenced Reserves	2,835	561	(195)	3,201
Other Reserves	1,238	5,321	(2,410)	4,149
<b>Total Earmarked Reserves</b>	<b>24,417</b>	<b>20,505</b>	<b>(17,479)</b>	<b>27,443</b>

The main earmarked reserves and their purpose are as follows:

Education/Schools Reserves

Education carry forwards – A number of reserves are held on behalf of several educational establishments which operate under devolved budgets, whereby any surpluses or deficits are carried forward to the following financial year.

School budget share – Represents unspent balances at the year-end against schools' delegated budgets. The 31 March 2014 balance relating to the School budget share was £8.189m (31 March 2013: £5.010m).

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 potential Waste liabilities, along with a revenue reserve which finances some of the £20m Investment Fund set up by the Council as part of the 'Plan for Jobs Strategy'.

**16.4. 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:

Movement in Usable Capital Receipts	2012/13	2013/14
	£000	£000
<b>Balance at 1 April</b>	<b>9,289</b>	<b>13,121</b>
<b>Add:</b> Receipts from sales of assets, etc.	7,817	6,892
Equated Interest	0	0
<b>Total</b>	<b>17,106</b>	<b>20,013</b>
<b>Less:</b>		
Housing Pooled Capital Receipts Paid to Central Government	(8)	(11)
Used to Finance Capital Expenditure	(3,977)	(7,139)
<b>Balance at 31 March</b>	<b>13,121</b>	<b>12,863</b>

### 16.5. Capital Grants and Contributions Unapplied

The Authority receives various grants (mainly from Central Government) and contributions towards the financing of its capital programme each year. The following table details the transactions posted to the account for the period:

Movement in Capital Grants and Contributions	2012/13	2013/14
	£000	£000
<b>Balance at 1 April</b>	<b>12,393</b>	<b>12,283</b>
Capital Grants and Contributions recognised in the Comprehensive Income and Expenditure Statement in the year	36,383	34,997
Less used to finance Capital Expenditure	(36,493)	(34,398)
<b>Balance at 31 March</b>	<b>12,283</b>	<b>12,882</b>

In addition to the above balance, the Authority also held £20.617m of grants and contributions on the balance sheet at 31 March 2014 (£10.419m at 31 March 2013) which had not yet been released to the Comprehensive Income and Expenditure Statement. These will be recognised and transferred into the Capital Grants and Contribution Unapplied Account. Once the authority is satisfied that the terms and conditions of the grant have been met.

Further details of capital grants and contributions are provided in note 23.1 on page 66.

### 16.6. 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:

Movement in Revaluation Reserve	2012/13	2013/14
	£000	£000
<b>Balance at 1 April</b>	<b>121,354</b>	<b>115,422</b>
Upward revaluation of assets	10,815	16,760
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	(3,033)	(9,641)
<b>Surplus or (deficit) on the revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services</b>	<b>7,782</b>	<b>7,119</b>
Transfer to Capital Adjustment Account	0	0
Release of Investment Property Balance	0	0
Difference between fair value depreciation and historical cost depreciation	(4,138)	(4,162)
Accumulated gains on assets sold or scrapped	(9,576)	(7,050)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(13,714)</b>	<b>(11,212)</b>
<b>Balance at 31 March</b>	<b>115,422</b>	<b>111,329</b>

### 16.7. 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. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

Movement in Capital Adjustment Account	2012/13	2013/14
	£000	£000
<b>Balance at 1 April</b>	<b>388,987</b>	<b>326,741</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non-current assets	(42,482)	(31,961)
Revaluation losses on Property, Plant and Equipment	(11,965)	(5,157)
Amortisation of intangible assets	(709)	(655)
Revenue expenditure funded from capital under statute	(15,678)	(19,107)
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	(43,462)	(11,912)
Adjusting amounts written out of the Revaluation Reserve	4,138	4,162
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	3,977	7,139
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	36,493	34,398
<b>Amounts reserved for future capital financing:-</b>		
Statutory provision for the financing of capital investment charged against the General Fund (includes TB&TFJC element)	9,424	9,505
Capital expenditure charged against General Fund	1,181	4,209
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,155)	(6,677)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	10	0
<b>Other Movement on the CAA in year:-</b>		
Landfill Site Provision	0	(9,214)
Write Down of Long Term Debtors	(28)	(33)
Adjustment re Pre 2004 Leases	10	10
<b>Balance at 31 March</b>	<b>326,741</b>	<b>301,448</b>

## 16.8. 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.

## 16.9. 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 (i.e. enhanced pensions). The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the 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.

Movement in Pension Reserve	2012/13	2013/14
	£000	£000
<b>Balance at 1 April</b>	<b>(352,572)</b>	<b>(370,736)</b>
Actuarial gains or losses on pensions assets and liabilities	(4,969)	(4,598)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(34,736)	(36,831)
Employer's pensions contributions and direct payments to pensioners payable in the year	21,346	20,130
(Increase) / decrease in Plymouth's share of net deficit in year of Devon County Council Pension Fund	195	124
<b>Balance at 31 March</b>	<b>(370,736)</b>	<b>(391,911)</b>

## 16.10. Collection Fund Adjustment Account

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

## 16.11. 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.

## 17. Cash Flow Disclosures

### 17.1. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

Analysis of Operating Activities	2012/13	2013/14
	£000	£000
<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>(84,587)</b>	<b>(54,958)</b>
Adjust net surplus or deficit on the provision of services for non-cash movements:		
Depreciation	38,344	31,962
Impairment and downward valuations	15,120	5,157
Amortisation	709	655
Material impairment losses on Investments debited to surplus or deficit on the provision of services in year	(298)	(2,277)
Soft Loans (non-Subsidiary)-Interest adjustment credited to CIES Account during year	29	0
Adjustments for effective interest rates	(55)	(1,202)
Increase/decrease in provision for impairments/doubtful debts re: Loans & Advances	(56)	0
Increase/Decrease in Interest Creditors	1	(3,920)
Increase/Decrease in Creditors	(16,736)	5,282
Increase/Decrease in Interest and Dividend Debtors	192	140
Increase/Decrease in Debtors	(1,810)	(842)
Increase/Decrease in Inventories	129	(81)
Pension Liability	15,432	19,062
Revised IAS 19 implementation	0	(4,015)
Contributions to/(from) Provisions	611	8,867
Provision for Equal Pay	(3,322)	0
Accumulated Absence	1,328	467
Carrying amount of non-current assets sold	43,462	11,912
Carrying amount of short and long term investments sold	52,058	0
Movement in Investment Property values	0	6,677
<b>Total</b>	<b>145,138</b>	<b>77,844</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>		
Capital Grants credited to surplus or deficit on the provision of services	(36,383)	(34,998)
Proceeds from the sale of short and long term investments	(52,058)	42,392
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(7,807)	(6,885)
<b>Total</b>	<b>(96,248)</b>	<b>509</b>
<b>Net Cash Flows from Operating Activities</b>	<b>(35,697)</b>	<b>23,395</b>

<b>Analysis of interest paid and Received</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Ordinary interest received	1,101	909
Soft Loans (non-Subsidiary) Interest adjustment credited to I+E Account during year	(29)	0
Adjustment for Icelandic impairments	(125)	(115)
Opening Debtor	394	202
Closing Debtor	(202)	(150)
<b>Interest Received</b>	<b>1,139</b>	<b>846</b>
Interest charge for year	(11,857)	24,774
Adjustments for differences between Effective Interest Rates and actual interest payable	(55)	(1,202)
Adjustment for impairment losses on Long & Short Term Investments charged to Interest Payable	(298)	(2,277)
Opening Creditor	(5,529)	(5,530)
Closing Creditor	5,530	1,610
<b>Interest Paid</b>	<b>(12,209)</b>	<b>17,375</b>
Dividend Received	0	209
Opening Debtor	0	0
Closing Debtor	0	(88)
<b>Dividend Received</b>	<b>0</b>	<b>121</b>

## 17.2. Cash Flow Statement – Investing Activities

<b>Analysis of Investing Activities</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Property, Plant and Equipment Purchased	(30,736)	(26,043)
Other Capital Payments	(13)	(169)
Opening Capital Creditors	(1,173)	(5,566)
Closing Capital Creditors	1,273	4,737
Movement on other capital creditors	(632)	0
<b>Purchase of Property, Plant and Equipment, investment property and intangible assets</b>	<b>(31,281)</b>	<b>(27,041)</b>
<b>Purchase of short and long term investments</b>	<b>(39,025)</b>	<b>(87,575)</b>
Long term loans granted	(79)	(404)
<b>Other payments for Investing Activities</b>	<b>(79)</b>	<b>(404)</b>
<b>Proceeds from the sale of property plant and equipment, investment property and intangible assets</b>	<b>7,817</b>	<b>1,523</b>
Proceeds from short term investments	52,058	0
<b>Proceeds from short-term and long-term investments</b>	<b>52,058</b>	<b>0</b>
Other capital cash receipts	1,145	5,455
Capital Grants Received	37,821	44,386
Other capital cash receipts in advance	(3)	0
<b>Other Receipts from Investing Activities</b>	<b>38,963</b>	<b>49,841</b>
<b>Total Cash Flows from Investing Activities</b>	<b>28,453</b>	<b>(63,656)</b>

**17.3. Cash Flow Statement – Financing Activities**

<b>Analysis of Financing Activities</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Cash receipts of short and long term borrowing	230,194	357,177
Billing Authorities - Council Tax and NNDR adjustments	1,019	1,189
Repayment of Short-Term and Long-Term Borrowing	(210,940)	(359,330)
Payments for the reduction of a finance lease liability	(397)	(250)
Payments for the reduction of a PFI liability	(770)	(808)
<b>Total Cash Flows from Financing Activities</b>	<b>19,106</b>	<b>(2,022)</b>

**17.4. Cash Flow Statement – Cash and Cash Equivalent**

<b>Analysis of Cash and Cash Equivalents</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Cash and Bank Balances	1,614	1,690
Cash Investments - regarded as cash equivalents	62,091	19,527
Tamar Bridge & Torpoint Ferry	1,282	1,487
<b>Total</b>	<b>64,987</b>	<b>22,704</b>

## 18. 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 (SeRCOP). 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 pension 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 2012/13 comparative figures shown in this note reflect the departmental structure which was presented to Cabinet in that year i.e. prior to the revised management structure which was introduced in 2012. It is not appropriate to restate these figures as the objective of this note is to present the outturn position as reported to decision makers. It is therefore not possible to compare the service outturn at a directorate level between the years, although the overall outturn position year on year can be determined from the information shown.

The table below shows the final outturn for 2013/14 analysed by service as reported to the Authority's Cabinet:-

	Executive Office	Corporate Items	Corporate Services	People Directorate	Place Directorate	Total
2013/14	£000	£000	£000	£000	£000	£000
Fees, Charges & other service income	1,096	9,099	44,534	25,460	28,189	108,378
Government grants & contributions	65	2,258	106,013	293,798	5,134	407,268
<b>Total</b>	<b>1,161</b>	<b>11,357</b>	<b>150,547</b>	<b>319,258</b>	<b>33,323</b>	<b>515,646</b>
Employee expenses	(2,167)	(4,510)	(26,592)	(145,380)	(24,158)	(202,807)
Other operating Expenses	(332)	(16,545)	(125,506)	(298,148)	(47,679)	(488,210)
Support Service Recharges	(502)	(988)	(9,000)	(18,625)	(8,130)	(37,245)
<b>Total</b>	<b>(3,001)</b>	<b>(22,043)</b>	<b>(161,098)</b>	<b>(462,153)</b>	<b>(79,967)</b>	<b>(728,262)</b>
<b>Net Cost of Services 2013/14</b>	<b>(1,840)</b>	<b>(10,686)</b>	<b>(10,551)</b>	<b>(142,895)</b>	<b>(46,644)</b>	<b>(212,616)</b>

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
Net Cost of Services in Service Analysis as shown in the table above	(212,616)
Add Adjustments and Amounts not reported in Management accounts (including Tamar Bridge & Torpoint Ferry Joint Committee)	(34,890)
Add Net Expenditure of Services not included in the main analysis (Trading)	1,796
Remove amounts reported to management not included in Comprehensive Income and Expenditure	12,806
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>(232,904)</b>

## 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 incl in I&E	Net cost of services	Corporate Amounts	Total
2013/14	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	103,612	(7,783)	10,595	(51,159)	55,265	7,765	63,030
Government grants & contributions	407,267	(125,160)	53	(2,590)	279,570	233,170	512,740
Interest and Investment income	4,767	0	0	(4,767)	0	6,546	6,546
<b>Total Income</b>	<b>515,646</b>	<b>(132,943)</b>	<b>10,648</b>	<b>(58,516)</b>	<b>334,835</b>	<b>247,481</b>	<b>582,316</b>
Depreciation, amortisation and impairment	(1,066)	(8,827)	(2,574)	1,399	(11,068)	(978)	(12,046)
Employee expenses	(202,807)	758	(2,025)	25,452	(178,622)	(20,948)	(199,570)
Gain or Loss on disposal of Fixed Assets	0	0	0	0	0	(18,855)	(18,855)
Interest Payments	(5,270)	0	0	5,270	0	(35,056)	(35,056)
Other service Expenses	(481,819)	114,991	(3,359)	31,886	(338,301)	7,366	(330,935)
Payments to Housing Capital Receipts Pool	0	0	0	0	0	(5)	(5)
Precepts and levies	(54)	0	0	54	0	(54)	(54)
Support service recharges	(37,246)	(8,869)	(894)	7,261	(39,748)	(1,848)	(41,596)
<b>Total Operating Expenses</b>	<b>(728,262)</b>	<b>98,053</b>	<b>(8,852)</b>	<b>71,322</b>	<b>(567,739)</b>	<b>(70,378)</b>	<b>(638,117)</b>
<b>Surplus or deficit on the provision of services 2013/14</b>	<b>(212,616)</b>	<b>(34,890)</b>	<b>1,796</b>	<b>12,806</b>	<b>(232,904)</b>	<b>177,103</b>	<b>(55,801)</b>

## Amounts reported for resources allocation decisions (2012/13 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 pension 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:-

2012/13	Executive Office	Corporate Items	Corporate Services	People Directorate	Place Directorate	Total
	£000	£000	£000	£000	£000	£000
Fees, Charges & other service income	183	10,925	15,007	24,052	28,634	78,801
Government grants & contributions	17	3,451	124,201	288,578	5,554	421,801
<b>Total</b>	<b>200</b>	<b>14,376</b>	<b>139,208</b>	<b>312,630</b>	<b>34,188</b>	<b>500,602</b>
Employee expenses	(2,107)	(1,824)	(28,162)	(151,260)	(24,824)	(208,177)
Other operating Expenses	(403)	(12,207)	(141,631)	(281,782)	(52,054)	(488,077)
Support Service Recharges	(1)	(203)	(620)	(6,409)	(1,385)	(8,618)
<b>Total</b>	<b>(2,511)</b>	<b>(14,234)</b>	<b>(170,413)</b>	<b>(439,451)</b>	<b>(78,263)</b>	<b>(704,872)</b>
<b>Net Cost of Services</b>	<b>(2,311)</b>	<b>142</b>	<b>(31,205)</b>	<b>(126,821)</b>	<b>(44,075)</b>	<b>(204,270)</b>

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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
Net Cost of Services in Service Analysis as shown in the table above	(204,270)
Add Adjustments and Amounts not reported in Management accounts (including Tamar Bridge & Torpoint Ferry Joint Committee)	(81,783)
Add Net Expenditure of Services not included in the main analysis (Trading)	2,120
Remove amounts reported to management not included in Comprehensive Income and Expenditure	34,603
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>(249,330)</b>



## 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
2012/13	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	73,550	(14,158)	10,580	(19,161)	50,811	34,037	84,848
Government grants & contributions	421,801	(125,029)	25	(4,900)	291,897	233,865	525,762
Interest and Investment income	5,251	0	0	(5,251)	0	5,637	5,637
<b>Total Income</b>	<b>500,602</b>	<b>(139,187)</b>	<b>10,605</b>	<b>(29,312)</b>	<b>342,708</b>	<b>273,539</b>	<b>616,247</b>
Depreciation, amortisation and impairment	(1,287)	(25,335)	(2,718)	1,629	(27,711)	(2,022)	(29,733)
Employee expenses	(208,177)	1,635	(1,932)	26,094	(182,380)	(40,806)	(223,186)
Gain or Loss on disposal of Fixed Assets	0	0	0	0	0	(52,936)	(52,936)
Interest Payments	(5,534)	0	0	5,534	0	(17,716)	(17,716)
Other service Expenses	(481,126)	117,934	(3,207)	29,063	(337,336)	6,155	(331,181)
Payments to Housing Capital Receipts Pool	0	0	0	0	0	(8)	(8)
Precepts and levies	(130)	0	0	130	0	(130)	(130)
Support service recharges	(8,618)	(36,830)	(628)	1,465	(44,611)	(1,333)	(45,944)
<b>Total Operating Expenses</b>	<b>(704,872)</b>	<b>57,404</b>	<b>(8,485)</b>	<b>63,915</b>	<b>(592,038)</b>	<b>(108,796)</b>	<b>(700,834)</b>
<b>Net Cost of Services</b>	<b>(204,270)</b>	<b>(81,783)</b>	<b>2,120</b>	<b>34,603</b>	<b>(249,330)</b>	<b>164,743</b>	<b>(84,587)</b>

## 19. Agency Services

The Council has a number of arrangements in place where it is acting as an agent for a third party. The accounts exclude all but the administration fee that the Authority receives for providing these services. During 2013/14, the significant agency services that the Authority undertook were as follows:-

### Northern, Eastern and Western Devon Clinical Commissioning Group (New Devon CCG)

The Council carries out certain work on an agency basis on behalf of the New Devon CCG, the main service relating to the procurement of health care. The Council pays the Care Providers for nursing care and then collects it from the New Devon CCG.

### Collection of Local Taxation

The Council, as billing authority for Council Tax, acts as an agent on behalf of the Devon & Cornwall Police & Crime Commissioner and Devon and Somerset Fire & Rescue Authority. 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 the year end.

The expenditure incurred and income received in relation to these services is shown within the Collection Fund Statement and associated notes on pages 82 - 86.

### Business Improvement District (BID)

The Council acts as an agent for the city's two BID companies, Plymouth City Centre Company and Plymouth Waterfront Partnership Ltd, billing and collecting the BID Levy (the contribution from businesses within the respective Business Improvement District areas for improvement initiatives) on behalf of the two companies.

### Other Agency Arrangements

The Authority also provides a number of other, less significant agency services for which it is reimbursed, including Payroll Services and School Catering Services.

## 20. Members' Allowances

The Council made payments totalling £0.917m (2012/13: £0.923m) to its Members in the year made up as follows:

Analysis of Members Allowance	2012/13	2013/14
	£000	£000
Basic Allowance	572	576
Special Responsibility Allowance	343	336
Travel, subsistence and other expenses	8	5
<b>Total</b>	<b>923</b>	<b>917</b>

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.

## 21. Officers' Remuneration

### 21.1. Senior Employees

Senior employees earning £50,000 or more per annum who have responsibility for the management of the Council or power to directly control the major activities of the Council are required to be listed by way of job title within the accounts. Where an employee's remuneration exceeds £150,000 there is an additional requirement that they 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 2013/14.

Senior Management Post	Financial Year	Salaries	Fees & Allowances*	Redundancy Payments	Pension Contributions	Total Remuneration	Notes
<b>Salary over £150,000</b>		£	£	£	£	£	
Chief Executive	2013/14	150,000	2,040	0	21,511	173,551	Tracey Lee started 29/10/2012, annual salary £150,000.
	2012/13	63,710	2,549	0	9,110	75,369	
<b>Salary over £50,000 but less than £150,000</b>							
Director for People	2013/14	129,699	1,239	0	18,547	149,485	Job title changed from Director for People to Strategic Director for People on 01/01/2014.
	2012/13	129,999	1,211	0	18,547	149,757	
Director for Place	2013/14	114,637	601	0	16,393	131,631	Job title changed from Director for Place to Strategic Director for Place on 01/01/2014.
	2012/13	114,637	394	0	16,393	131,424	
Director for Corporate Services	2013/14	39,932	8	0	5,993	45,933	The position holder left the Council on 12/08/2013. The post has been deleted.
	2012/13	112,439	0	0	16,393	128,832	
Director for Public Health	2013/14	36,275	3,947	0	5,529	45,751	The function of Public Health transferred to PCC on 1 April 2013. This position was filled 01/06/2013 - 05/11/2013. An acting director was seconded to PCC from 01/04/2013 - 01/06/2013 and an interim director was appointed for the period of 28/10/2013 - 31/03/2014. Their remuneration is not included in these figures but disclosed below separately.
	2012/13	0	0	0	0	0	
Assistant Director for Democracy and Governance	2013/14	84,606	201	0	12,099	96,906	
	2012/13	84,576	6,895	0	12,099	103,600	

Senior Management Post	Financial Year	Salaries	Fees & Allowances*	Redundancy Payments	Pension Contributions	Total Remuneration	Notes
Assistant Director for Co-operative Commissioning and Adult Social Care	2013/14	84,606	266	0	12,099	96,971	Position holder left on 05/05/2013, new AD started 07/05/2013.
	2013/14	8,188	0	0	1,171	9,359	
	2012/13	84,606	115	0	12,099	96,820	
Assistant Director for Environmental Services	2013/14	67,548	0	12,150	199,536	279,234	Position holder was made redundant and left on 18/01/2014. The post has been deleted. Pension contribution includes strain payment made to the Pension Fund.
	2012/13	84,606	0	0	12,099	96,705	
Assistant Director for Finance	2013/14	84,606	452	0	12,099	97,157	Job title changed from Assistant Director for Finance, Assets Technology and Assets to Assistant Director for Finance on 01/01/2014.
	2012/13	84,606	660	0	12,099	97,365	
Assistant Director for HR and Organisational Development	2013/14	63,455	248	0	9,074	72,777	The position holder left the Council on 31/12/2013. The post is filled by an interim Director employed by NEW Devon CCG and seconded to PCC. His remuneration is not included in these figures but disclosed below separately.
	2012/13	84,606	582	0	12,099	97,287	
Assistant Director for Economic Development	2013/14	83,634	241	0	12,099	95,974	Reduction in salary is due to opting to use salary sacrifice scheme.
	2012/13	84,606	109	0	12,099	96,814	
Assistant Director for Education, Learning and Family Support	2013/14	98,000	2,233	0	14,014	114,247	Position holder appointed on 14/11/2012, annual salary £84,606. Market forces supplement of £13,394 paid in 2013/14.
	2012/13	37,295	2,851	0	5,333	45,479	
Assistant Director for Children's Social Care	2013/14	90,003	4,610	0	12,870	107,483	Position holder appointed on 11/03/2013, annual salary £84,606. Market forces supplement of £5,397 paid in 2013/14.
	2012/13	5,081	0	0	727	5,808	
Assistant Director for Strategic Planning and Infrastructure	2013/14	73,424	237	0	10,500	84,161	Position holder appointed to current role on 01/01/2014, annual salary £84,606. Previously AD for Planning, annual salary £69,696.
	2012/13	69,696	96	0	9,966	79,758	
Assistant Director for Transport and Infrastructure	2013/14	88,748	443	93,502	13,472	196,165	Assistant Director for Transport and Infrastructure was made redundant and left the Council on 03/03/2014, salary for 2013/14 includes pay in lieu of leave. The post has been deleted.
	2012/13	69,696	438	0	9,966	80,100	
Assistant Director for Homes and Communities	2013/14	69,696	0	0	9,967	79,663	
	2012/13	69,696	182	0	9,966	79,844	
Assistant Director for Customer Services	2013/14	29,040	354	0	4,153	33,547	Original post holder left 31/10/2013, acting AD appointed 1/11/2013. Negative fees and allowances figures are due to repayment of relocation expenses.
	2013/14	40,656	-2,662	0	5,814	43,808	
	2012/13	22,857	2,717	0	3,269	28,843	

\* Fees and allowances include expenses such as travel, subsistence and fees for election duties and in the case of the Assistant Director for Education, Learning and Family Support and the Assistant Director for Children's Social Care it includes relocation expenses.

In addition to the remuneration paid to senior employees the Council also incurred the expenditure shown below in relation to interim appointments to key positions:

Senior Management Post	Financial Year	Salaries	Fees & Allowances	Pension Contributions	Total Remuneration	Notes
Director for Transformation (Interim)	2013/14				116,522	David Trussler started 12/08/2013.
	2012/13				0	
Director of Public Health (Interim)	2013/14				84,435	Stephen Horsley started 28/10/2013.
	2012/13				0	
Acting Director of Public Health	2013/14				16,344	Debbie Stark started 01/04/2013, seconded to PCC for 3 months 1 day a week.
	2012/13				0	
Assistant Director for Street Scheme Services (Interim)	2013/14				45,058	Simon Dale started 23/12/2013.
	2012/13				0	
Assistant Director for HR & Org Development (Interim)	2013/14				14,750	Chris Squire started 07/01/2014, seconded to PCC for 2 days a week.
	2012/13				0	
Head of Portfolio Office (Transformation)	2013/14				71,967	Sue Thomas started 14/10/2013.
	2012/13				0	
Head of Business Technology Architecture (Transformation)	2013/14				47,086	Hugh Van Wijk started 20/01/2014.
	2012/13				0	

**21.2. 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 analysed between schools and non-schools staff as disclosed in note 21.1 page 61.

Remuneration Bandings	2012/13		2013/14	
	Schools	Non schools	Schools	Non schools
£50,000 - £54,999	32	19	21	20
£55,000 - £59,999	25	17	27	17
£60,000 - £64,999	17	6	22	11
£65,000 - £69,999	12	8	13	3
£70,000 - £74,999	5	7	4	5
£75,000 - £79,999	1	0	1	1
£80,000 - £84,999	0	6	3	3
£85,000 - £89,999	0	3	1	1
£90,000 - £94,999	0	1	0	1
£95,000 - £99,999	2	1	1	1
£100,000 - £109,999	1	0	0	1
£110,000 - £119,999	0	2	0	1
£120,000 - £129,999	0	0	0	0
£130,000 - £139,999	0	1	0	1
£140,000 - £185,999	0	0	0	2
<b>Total</b>	<b>95</b>	<b>71</b>	<b>93</b>	<b>68</b>

*The change between years in the highest band is due to post of Chief Executive being held by more than one person during the financial year, thus the table only reflects part year salary totals.*

### 21.3. Employee Exit Packages

The authority incurred costs during 2013/14 relating to employee exit packages linked to compulsory and voluntary redundancies, a summary of which is shown below:

Banding	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£							£000	£000
00,000 - 20,000	57	60	102	37	159	97	1,087	594
20,001 - 40,000	6	11	1	0	7	11	195	275
40,001 - 60,000	0	5	0	0	0	5	0	225
60,001 - 80,000	0	0	0	0	0	0	0	0
80,001-100,000	0	2	0	0	0	2	0	178
100,001-150,000	0	0	0	0	0	0	0	0
150,001-200,000	0	0	0	0	0	0	0	0
200,001 - 250,000	0	1	0	0	0	1	0	202
<b>Total</b>	<b>63</b>	<b>79</b>	<b>103</b>	<b>37</b>	<b>166</b>	<b>116</b>	<b>1,282</b>	<b>1,474</b>

The Authority terminated the contracts of a number of employees in 2013/14 including school based staff, incurring liabilities of £1.474m (2012/13 £1.282m). This includes a sum of £0.729m 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 for Education.

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

### 22. 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:

Analysis of External Audit costs	2012/13	2013/14
Audit Area:	£000	£000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor including Tamar Bridge and Torpoint Ferry Joint Committee	185	181
Fees payable to Grant Thornton for the certification of grant claims and returns	24	24
Fees payable in respect of other services provided by the appointed auditor.	4	17
<b>Total</b>	<b>213</b>	<b>222</b>

## 23. Government Grants

### 23.1. Grant Income - Credited to the Comprehensive Income and Expenditure Statement (CIES)

The Authority credited the following revenue grants to Service areas in 2013/14:-

<b>Government Grants Credited to Services</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Housing Benefit and Council Tax Benefit Subsidy	119,606	100,579
Benefits Admin Grant	2,377	2,270
Learning and Skills Council	8,213	6,307
DSG & Other Education Grants	125,011	131,226
Early Intervention Grant	12,131	0
Learning Disability and Health Reform	2,428	0
New Homes Bonus	1,413	2,838
Local Welfare Provision	9	1,064
S31 Grant - Small Business Rate Relief Extension	0	1,004
Public Health Grant	0	11,160
Other Revenue Grants	3,135	4,200
<b>Total Revenue Grants Received</b>	<b>274,323</b>	<b>260,648</b>

The above revenue grants are in addition to the non-ring-fenced Government grants reported in note 7 Page 35

In addition the following capital grants and contributions have been credited to the Comprehensive Income and Expenditure Statement:-

<b>Capital Grants and Contributions by Grant</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Big Lottery	3,250	617
Department for Transport	4,801	6,312
Department of Communities & Local Government	1,120	916
Department for Education and Skills	24,731	24,636
Other Grants and Contributions	2,480	3,433
<b>Total Grants &amp; Contributions Received</b>	<b>36,382</b>	<b>35,914</b>



The above grants and contributions were credited to the CIES as follows:

Capital Grants and Contributions recognised in the CIES	2012/13	2013/14
	£000	£000
Children's and Education Services	10,475	16,681
Housing Services	2,230	1,940
Other Grants and Contributions	918	1,140
<b>Total Recognised in the Surplus/Deficit on Continuing Operations</b>	<b>13,623</b>	<b>19,761</b>
Financing and Investment Income and Expenditure	43	70
<b>Total Recognised in the Surplus/Deficit on Continuing Operations</b>	<b>13,666</b>	<b>19,831</b>
Taxation and Non-Specific Grant Income	22,716	15,166
<b>Total Recognised in the Surplus or (Deficit) on Provision of Services</b>	<b>36,382</b>	<b>34,997</b>

### 23.2. 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 and are split between Revenue and Capital Grant Receipts in Advance as follows:

The Revenue Grant Receipts in Advance for the year ended 31 March 2014 are £5.194m (2013 £1.643). The Capital Grants received in Advance for the year ended 31 March 2014 are £20.617 (2013 £10,419).

## 24. Related Party Transactions and Partnerships

### 24.1. 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	2012/13		2013/14	
	Receipts	Payments	Receipts	Payments
Subsidiary, Associated and Jointly Controlled organisations	£000	£000	£000	£000
Plymouth Investment Partnerships Ltd (PIP)	107	0	567	0
Tamar Science Park Ltd	0	(16)	0	(5)
The PLUSS Organisation Ltd	5	(869)	26	(615)
<b>Assisted Organisations</b>				
Careers South West	6	(1,716)	0	(1,217)
Destination Plymouth	0	0	1	(204)
Devon Audit Partnership	25	(461)	25	(418)
Millfields CEDT	134	(168)	98	(92)
Mount Batten Sailing and Water Sports Centre	3	(109)	2	(122)
Plymouth Citizens Advice Bureaux	0	(471)	0	(619)
Plymouth City Centre Company	272	(226)	224	0
Plymouth Waterfront Partnership	84	(147)	90	(300)
Routeways Board	13	(501)	12	(380)
Shekinah Mission	0	(181)	1	(261)
Wolseley CEDT	349	(329)	325	(415)
<b>Totals</b>	<b>998</b>	<b>(5,194)</b>	<b>1,371</b>	<b>(4,648)</b>

### 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 23 pages 66 to 67.

### 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 80 declarations of Related Party Transactions for 2013/14, a response rate of 100%.

## **25. Leases**

### **25.1. 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:

During 2013/14 depreciation of £0.237m (2012/13: £0.235m) 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:

Finance lease liabilities (net present value of minimum lease payments):	31 Mar 13	31 Mar 14
	£000	£000
Current	235	217
Non-Current	1,954	1,721
Finance costs payable in future years	3,714	3,550
<b>Minimum lease payments</b>	<b>5,903</b>	<b>5,488</b>

The minimum lease payments will be payable over the following periods:

Analysis of Leasing Obligations	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 13	31 Mar 14	31 Mar 13	31 Mar 14
	£000	£000	£000	£000
Not later than one year	397	364	235	217
Later than one year and not later than five years	898	684	353	162
Later than five years	4,608	4,440	1,601	1,559
<b>Total</b>	<b>5,903</b>	<b>5,488</b>	<b>2,189</b>	<b>1,938</b>

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.

## 25.2. 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	31 Mar 13	31 Mar 14
	£000	£000
Not later than one year	1,072	564
Later than one year and not later than five years	906	2,630
Later than five years	4,422	6,011
<b>Total</b>	<b>6,400</b>	<b>9,205</b>

The minimum lease payment charged in the Comprehensive Income and Expenditure Statement during the year in relation to these assets was £1.356m (£1.307m in 2012/13).

### 25.3. 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 - Authority as a Lessor	31 Mar 13	31 Mar 14
	£000	£000
Not later than one year	4,357	5,212
Later than one year and not later than five years	14,463	17,491
Later than five years	357,869	358,710
<b>Total</b>	<b>376,689</b>	<b>381,413</b>

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.

## 26. Private Finance Initiatives (PFI) and Similar Contracts

### 26.1. Schools PFI

The Council makes an agreed payment each year, part of which is subject to an annual inflation increase, and can be reduced if the contractor fails to meet availability and performance standards in any one year but which is otherwise fixed. A total payment of £5.297m was made in 2013/14 (£5.203m 2012/13). Payments remaining to be made under the PFI contract at 31 March 2013, excluding any estimation of inflation and availability / performance deductions are as follows:

PFI Outstanding Liabilities	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Total Payments to Operator in 2013/14	1,830	807	2,642	5,279
Payable in 2014/15	1,933	828	2,571	5,332
Payable within two to five years	8,701	3,687	9,534	21,922
Payable within six to ten years	13,003	5,889	9,952	28,844
Payable within eleven to fifteen years	15,561	8,068	7,014	30,643
Payable within sixteen to twenty years	15,100	10,968	2,696	28,764
<b>Total</b>	<b>56,128</b>	<b>30,247</b>	<b>34,409</b>	<b>120,784</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred, and interest payable, whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

Movement in PFI Liability	2012/13	2013/14
	£000	£000
Balance outstanding 1 April	31,017	30,247
Payments during the year	(770)	(807)
<b>Balance Outstanding 31 March</b>	<b>30,247</b>	<b>29,440</b>

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 £0.650m and schools of £0.920m 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. The Council transfers any surplus resources for the PFI scheme to a PFI reserve to match commitments that will be incurred in later years.

## **26.2. Waste PFI**

The Council is part of a Waste Partnership with Torbay Council & Devon County Council which was set up formally in 2008 to source a household waste disposal solution for South West Devon. The three councils jointly signed a 25 year contract for waste disposal with German Company MVV Umwelt in March 2011 following a public procurement exercise. MVV are currently building an energy from waste facility on leased Ministry of Defence land at Camels Head North Yard in Devonport Dockyard, Plymouth. Construction is due to be completed in the autumn of 2014 when the plant will receive waste from the three authorities in return for contract payments linked to tonnages delivered.

The costs of procurement and initial start-up from 1st April 2007 to 31st March 2014 for the partnership totalled £3.3m and these have been shared equally between the three Councils. The expenditure for 2013/14 was £0.27m. The total estimated cost of the contract to the partnership is £436m, (at February 2010 prices, indexation will apply) over the 25 year period.

The estimated first full year cost 2015/16 (using assumed price inflators) is £15.0m, which is estimated to be split between the three authorities as follows Plymouth £7.1m, Devon £5.0m, and Torbay £2.9m, based on latest estimates of tonnes of waste to be delivered to the plant. There are also annual fixed costs estimated to be £1.8m for rates and land leases etc. which will be divided between the authorities in similar proportions.

The governance of the partnership is through the South West Devon Waste Partnership Committee and the Plymouth's finance staff are currently assessing the appropriate financial reporting arrangements of the partnership contract costs within each authority and the committee.

## **27. 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.

### **27.1. 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 2013/14, Plymouth City Council paid £6.371 to Teachers' Pensions in respect of teachers' retirement benefits, representing 13.43% of pensionable pay. The figures for 2012/13 were £6.818m and 14.10%. There were no

contributions remaining payable at the year-end. In 2013/14 the minimum contribution was 6.4% of salary, the maximum was 11.2%.

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 27.2 below.

## **27.2. 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 2013/14 the Council paid an employer's contribution of £17.353m (2012/13: £17.597m), representing 20.67% 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 2013/14 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	2012/13	2013/14
	£000	£000
<b>Cost of Services</b>		
Service Cost	21,939	20,775
<b>Financing and Investment Income and Expenditure</b>		
Net Interest on the defined liability (asset)	14,941	15,358
<b>Other Operating Expenditure</b>		
Administration expenses	226	290
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>37,106</b>	<b>36,423</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(36,833)	(841)
Actuarial gains and losses arising on charges in demographic assumptions	0	1,603
Actuarial gains and losses arising on changes in financial assumptions	37,405	18,800
Experience gain/(loss) on defined benefit obligation	0	(15,070)
Other (if applicable)	0	(599)
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>37,678</b>	<b>40,316</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus of Deficit on the Provision of Service for post-employment benefit in accordance with the Code	(37,106)	(36,423)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contribution payable to scheme	16,321	16,465
Retirement benefits payable to pensioners	3,410	3,407
Adjustment re: net increase/(decrease) pre LGR pension liability	195	124

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2014 is a loss of £137.699m.

**27.3. 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)	2012/13	2013/14
	£000	£000
<b>Opening balance at 1st April</b>	<b>(793,076)</b>	<b>(868,939)</b>
Current service cost	(22,361)	(23,564)
Interest cost	(36,030)	(38,465)
Change in financial assumptions	(37,405)	(18,800)
Change in demographic assumptions	0	(1,603)
Experience loss/(gain) on defined benefit obligation	0	15,070
Liabilities assumed / (extinguished) on settlements	992	2,580
Estimated benefits paid net of transfers in	22,766	24,999
Past service costs, including curtailments	(217)	(828)
Contributions by scheme participants	(5,662)	(5,525)
Unfunded pension payments	2,054	2,063
<b>Closing present value of liabilities</b>	<b>(868,939)</b>	<b>(913,012)</b>

Reconciliation of fair value of the scheme (plan) assets	2012/13	2013/14
	£000	£000
Opening fair value of scheme assets	458,336	516,252
Interest income	21,089	23,107
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	36,833	841
Other actuarial gains/(losses)	0	599
Administration expenses	(226)	(290)
Contributions from employer	19,731	19,872
Contributions from employees into the scheme	5,662	5,525
Benefits paid	(24,820)	(27,061)
Settlement prices received / (paid)	(353)	1,037
<b>Closing present value of Assets</b>	<b>516,252</b>	<b>539,882</b>
<b>Closing balance at 31 March</b>	<b>(352,687)</b>	<b>(373,130)</b>

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.



#### 27.4. Scheme History (PCC)

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment (retirement) benefits. The total liability of £352.690m 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 2014 is £17.353m.

#### 27.5. Basis for Estimating Assets and Liabilities (PCC)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2013.

Basis for Estimating Assets and Liabilities	2012/13	2013/14
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	20.6	22.7
Women	24.6	26.0
Longevity at 65 for future pensioners:		
Men	22.6	24.9
Women	26.5	28.3
Rate of inflation (CPI)	2.6%	2.8%
Rate of increase in salaries	4.8%	4.6%
Rate of increase in pensions	2.6%	2.8%
Rate for discounting scheme liabilities	4.5%	4.5%

Sensitivity Analysis Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption	Decrease in Assumption
	£000	£000
Longevity (increase or decrease in 1 year)	881,013	945,300
Rate of increase in salaries (increase or decrease by 1%)	915,352	910,687
Rate of increase in pensions (increase or decrease by 1%)	928,026	898,289
Rate for discounting scheme liabilities (increase or decrease by 1%)	896,255	930,099

**27.6. 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	31/03/2013	31 Mar 2014
	%	%
Equities	61	75
Gilts	13	7
Property	8	11
Cash	3	2
Other investments	15	5
<b>Total</b>	<b>100</b>	<b>100</b>

**27.7. Pension Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

Pension Assets and Liabilities Recognised in the Balance Sheet	2012/13	2013/14
	£000	£000
Present value of the defined benefit	833,473	875,611
Fair value of plan assets	516,252	539,882
<b>Net liability</b>	<b>317,221</b>	<b>335,729</b>
Other movements in the liability	35,466	37,401
<b>Net liability arising from defined benefit obligation</b>	<b>352,687</b>	<b>373,130</b>

**Pension information for Tamar Bridge & Torpoint Ferry Joint Committee (TB&TFJC)****27.8. Transactions in the Comprehensive Income and Expenditure Statement and Movement in Reserve Statement (TB&TFJC)**

Plymouth City Council's share (50%) of the cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2014 is £0.382m (2013 £1.499m).

Comprehensive Income and Expenditure Statement	2012/13	2013/14
	£000	£000
<b>Cost of Services</b>		
Service Cost	259	325
<b>Financing and Investment Income and Expenditure</b>		
Net Interest expense	66	84
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>325</b>	<b>409</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(498)	(2)
Actuarial gains and losses arising on changes in demographic assumptions	0	221
Actuarial gains and losses arising on changes in financial assumptions	850	220
Experience gain/(loss) on defined benefit obligation	(8)	266
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>669</b>	<b>1,114</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus of Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(325)	(409)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contribution payable to scheme	259	258

**27.9. Assets and Liabilities in Relation to Post-Employment Benefits (TB&TFJC)**

<b>Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
<b>Opening balance at 1st April</b>	<b>(6,761)</b>	<b>(8,044)</b>
Current service cost	(259)	(325)
Interest cost	(327)	(366)
Contributions from scheme participants	(82)	(78)
Re-measurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	0	(221)
Actuarial gains/losses arising from changes in financial assumptions	(850)	(220)
Experience loss/(gain) on defined benefit obligation	8	(266)
Benefits paid	227	240
<b>Closing present value of liabilities</b>	<b>(8,044)</b>	<b>(9,280)</b>

<b>Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Opening fair value of scheme assets	5,367	6,238
Interest income	261	282
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	497	2
Contributions from employer	258	258
Contributions from employees into the scheme	82	78
Benefits paid	(227)	(240)
<b>Closing fair value of scheme assets</b>	<b>6,238</b>	<b>6,618</b>
<b>Closing balance at 31 March</b>	<b>(1,806)</b>	<b>(2,662)</b>

The actual return on employer assets in the year was £0.284m (2012/13: £0.759m).

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 £2.661 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 2014 is £0.340m.

**27.10. Scheme History (TB&TFJC)**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. The Cornwall Council pension scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2013.

## **28. Contingent Assets and Liabilities**

### **28.1. Contingent Assets**

The Council has the following contingent assets to report:

#### **1. 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. To date agents for the Council have been unsuccessful in obtaining any final resolution from HMRC, repayments and the request for a formal departmental review have been refused and the agents are looking to lodge an appeal.

#### **2. 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.

### **28.2. 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. 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. The Pension Scheme was closed to new members from 30 September 2011 and fully closed from 31 March 2014 so the risk, which is shared between the 4 participating authorities and minimized by the provision of a bond or cash deposit by the company, will significantly reduce over time.

Negotiations were ongoing for the possible transfer by the member authorities of their interest in the company which would have involved the discharge the liabilities. Cabinet approval for the Transfer was obtained, but unfortunately, this will not happen at present due to the prospective purchaser with whom Council representatives were negotiating terms having withdrawn.

#### **2. Single Status Equal Pay Claims**

The Council has received a number of equal pay claims over the past few years. During 2012/13 a number of these claims were settled and charged against the provision set up for this purpose. As at 31<sup>st</sup> March 2014, a funded balance of £0.696m remains in the provision. In addition a sum of £0.900m is held in an earmarked reserve. The actual value of the outstanding claims, which are yet to be heard in court, cannot be assessed with any certainty.

### 3. Civic Centre

On 21 June 2007 the City Council was informed that the Civic Centre had been Grade II listed by English Heritage and since that time Council Officers have been working on solutions to determine the future for the building and site.

The listing continues to have a potentially significant financial impact on the Council. As a listed building, demolition is not feasible and therefore a renovation and conversion project is required. The Council will vacate the building by December 2014 and will occupy alternative office accommodation so that a twin-track approach can be actioned:

Option one: The building will be sold to a private developer for conversion to a non-council use such as a hotel.

Option two: Failing option one the Council itself will work up a conversion scheme for offices that can be partly occupied by the Council, with the remaining office space being leased out as part of the Council's commercial estate.

The operating cost of the Civic Centre of c. £1.6m per annum impacts on all Council Departments. In addition, if the Council itself needs to fund the repair and renovation of the building, there will be a capital funding requirement of c. £30m, although the operating costs of a renovated building would be expected to be less than as existing. If the building is sold to a private developer, the Council may need to incur professional and legal fees in connection with the disposal.

### 4. 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; the Council is currently exploring options around mitigating this liability through an insurance policy.
- 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.

### 5. Eastern Corridor Integrated Transport Scheme

Finalisation of costs for the Gydria Way construction works are subject to final agreement with a potential claim from Amey (LG) Ltd regarding potential inaccuracies in design works supplied by the Council for the scheme.

The potential liability could be in excess of £2.2m and the matter has been referred for specialist legal advice.

### 6. Groundwork South West - in administration

The Trust was placed in administration in May 2012. There is a substantial debt owed to the bank in the region of £1 million. Other creditor's claims total circa £200,000. There is a substantial debt owed to the Council which stems from the payroll function that it undertook for the Trust. The sum owed is £324,055.05. There is also an amount of £644.50 owed in respect of commercial rent and approximately £8,000 for non-domestic rates.

The Administrator stated, upon its appointment, that the financial situation of the Trust is not looking very favourable. Its main asset is its property at Sandon Court, Millfields, which is valued at circa £½ million.

It is not known at this point whether the Council will be likely to recover all/any of the amounts owed to it. The administrators have stated, however, that it could be the case that the payroll debt owed to the Council, as it

formed wages to employees, could be regarded as “subrogated preferential debt” and thus the Council, possibly, may be entitled, above other creditors, to recoup some of the amount owed to it.

### 8. Personal Search Fees

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is in the region of £500,000 plus interest and costs. It is not clear what the value of any such claim would be as against the Council.

### 9. HealthTec South West Ltd

HealthTec South West Ltd was incorporated on 15 February 2010. The company was supported by a strategic partnership for which the lead organisation is the Council.

HealthTec completed a lease for a 6 year term from 20 August 2010, to which the Council was party as Guarantor, of office premises at the first floor of 41 Estover Close (Forresters House). The lease contains a tenant only break option effective on 20 August 2013 subject to a minimum 6 months written notice etc.

HealthTec ceased trading on 1 November 2011. Subsequently the Council took an assignment of the lease and Plymouth Adult and Community Learning Service (PACLS) took occupation on 14 March 2012.

The Council is mitigating any loss by making beneficial use of the premises and has served notice to break the lease from 20 August 2013. The Council will still be subject to the cost of any dilapidations due.

### 10. Chelson Meadow

Environmental engineering Capital works at Chelson Meadow were let under a ‘target price’ contract with a pain gain share arrangement and undertaken between Sept 2009 and June 2012. However towards the end of 2011 the Contractor significantly increased their estimate of the contract out-turn cost above the agreed certified ‘target price’ without substantiation. In line with the Contract the Contractor was able to claim costs in advance of Completion for work done albeit these costs were in excess of the certified and agreed ‘target price’ - this has resulted in an overpayment above the certified Target.

Since works completion in June 2012, the Contractor has refused to repay the Council the overpayment and have retrospectively stated that they believe they are entitled to a further significant payment. The Council have contested this position, and several Adjudications have been undertaken to help to determine a final account and monies due to both parties. Final costs have yet to be determined and will depend upon the final application of the Adjudications decisions, any litigation, and the settlement of the final account.

### 11. Business Rates Appeals

Since the introduction of the Business Rates Retention Scheme on 1 April 2013, Local Authorities are liable for their proportionate share of the cost incurred due to refunds made to rate payers following successful appeals. A provision has been included in the accounts based on the estimated liability arising from business rates appeals outstanding at 31 March 2014, however, it is expected that further appeals will be made by businesses in future years that will have an impact on 2013/14 and previous years. The amount of these probable future payments has been estimated at £1.708m.

## **29. Trust Funds and Special Balances**

During 2013/14 the Council held Trust Funds and administered other special balances and the funds do not represent assets of the Council. Although most of the accounting records of these funds are held within the Council’s financial accounting system, they do not form any part of the Council’s Balance Sheet. The Trust Funds held as at 31 March 2014 is £1.500m (Brock Trust £0.828, Others £0.672m) (2013 £1.343m (Brock Trust £0.828m, Others £0.515)).

## COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2014

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

2012/13		Note	2013/14		
			Business Rates	Council Tax	Total
<b>£000</b>	<b>Income</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
(94,115)	Council tax receivable	1	0	(102,400)	(102,400)
(21,402)	Transfer from General Fund - Council Tax Benefit		0	0	0
(83,150)	Business rates receivable	2	(87,452)	0	(87,452)
<b>(198,667)</b>			<b>(87,452)</b>	<b>(102,400)</b>	<b>(189,852)</b>
	<b>Expenditure</b>				
	<b>Apportionment of previous year's surplus</b>				
8	Devon & Cornwall Police & Crime Commissioner		0	23	23
3	Devon & Somerset Fire & Rescue Service		0	11	11
<b>11</b>			<b>0</b>	<b>34</b>	<b>34</b>
	<b>Precepts, demands and shares</b>	3.1 & 3.2			
82,841	Payment to the National Pool		0	0	0
0	Central Government		42,994	0	42,994
96,177	Plymouth City Council		42,134	85,007	127,141
12,342	Devon & Cornwall Police & Crime Commissioner		0	10,909	10,909
5,712	Devon & Somerset Fire & Rescue Service		860	5,048	5,908
<b>197,072</b>			<b>85,988</b>	<b>100,964</b>	<b>186,952</b>
	<b>Charges to the Collection Fund</b>				
5,110	Write offs of uncollectable amounts		183	738	921
(4,202)	(Increase)/Decrease in Bad Debt Provision	4.1 & 4.2	141	(431)	(290)
0	(Increase)/Decrease in Provision for Appeals	5	1,380	0	1,380
309	Cost of collection allowance		310	0	310
<b>1,217</b>			<b>2,014</b>	<b>307</b>	<b>2,321</b>
<b>(367)</b>	<b>(Surplus)/Deficit for the year</b>		<b>550</b>	<b>(1,095)</b>	<b>(545)</b>
	<b>Collection Fund Balance</b>				
(625)	Balance as at 1st April 2013		0	(992)	(992)
(367)	(Surplus)/Deficit for the year (as above)		550	(1,095)	(545)
<b>(992)</b>	<b>Balance as at 31st March 2014</b>		<b>550</b>	<b>(2,087)</b>	<b>(1,537)</b>
	Allocated to:	6			
0	Central Government		275	0	275
(845)	Plymouth City Council		270	(1,796)	(1,526)
(100)	Devon & Cornwall Police & Crime Commissioner		0	(199)	(199)
(47)	Devon & Somerset Fire & Rescue Service		5	(92)	(87)
<b>(992)</b>	<b>Total allocated</b>		<b>550</b>	<b>(2,087)</b>	<b>(1,537)</b>



## NOTES TO THE COLLECTION FUND

### I. Council Tax Income

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based on an estimated 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 & Crime Commissioner, Devon and Somerset Fire and Rescue Authority and the City Council for the forthcoming year and dividing this by the Council Tax base. The tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and estimated collection rates: 66,958 in 2013/14 (77,271 in 2012/13). The reduction has arisen due to significant changes in the regulations regarding Council Tax exemptions and discounts, and new legislation, specifically the introduction of the Council Tax Support scheme which has replaced Council Tax Benefit.

The basic amount of Council Tax for a Band D property (£1,507.86 for 2013/14) is multiplied by the proportion specified for the particular band to give an individual amount due. The calculation of the Council Tax Base is shown in the following table:

Band	No of Properties Before Discounts	No of Properties After Discounts	Band D Equivalents	Estimated Collection Rate	Adjusted Band D Equivalents
A	44,263	27,100	18,063	97.5%	17,612
B	29,252	22,987	17,878	97.5%	17,432
C	20,668	18,043	16,038	97.5%	15,637
D	8,429	7,691	7,691	97.5%	7,499
E	4,344	4,105	5,017	97.5%	4,891
F	1,636	1,562	2,256	97.5%	2,199
G	514	491	819	97.5%	798
H	26	19	38	97.5%	37
	<b>109,132</b>	<b>81,998</b>	<b>67,800</b>		<b>66,105</b>
Adjustment for MOD Properties					853
<b>Tax Base Totals</b>			<b>67,800</b>		<b>66,958</b>

The Council Tax Base was calculated at the time the 2013/14 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 £100.963m (66,958 x £1,507.86). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £102.400m (2012/13 £94.115m) made up of £102.662m from Council Tax payers with a reduction of £0.262m due to previous years' adjustments relating to the Council Tax Benefit scheme.

### 2. Income from Business Ratepayers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government, which was 47.1p in 2013/14 (45.8p in 2012/13).

In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to local authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of the Business Rates Retention Scheme, which aims to give councils a greater incentive to grow businesses but also increases the financial risk

due to volatility and non-collection of rates due. In the case of Plymouth the retained proportion of NNDR income is 49%. The remainder is distributed to preceptors: 1% to the Devon and Somerset Fire and Rescue Service (DSFRS) and 50% to Central Government.

The business rates shares payable for 2013/14 were estimated before the start of the financial year as £42.994m to Central Government, £0.860m to DSFRS and £42.134m to Plymouth City Council. These sums have been paid during 2013/14 and charged to the Collection Fund in year.

When the scheme was introduced the Government set a baseline funding level (based on local demand for services) for each authority and applied the system of tariffs and top-ups to ensure all authorities receive their baseline amount. In 2013/14 Plymouth had a baseline amount of £50.960m and received a top-up of £8.819m which was credited to the General Fund and included in Note 7.

In addition to the top-up and tariffs a safety net figure is calculated by Central Government, this mechanism is designed to protect local authorities from large fluctuation in their business rates income. The safety net threshold for Plymouth is £47.138m (92.5% of the baseline amount). As our adjusted retained income is above this level no safety net payment was due to Plymouth for 2013/14.

Under the rate retention scheme local authorities became liable for their share of the liability arising from the in-year and backdated impact of successful business rate appeals. Based on the analyses of previous year trends and the list of outstanding appeals provided by the VOA as at 31 March 2014 the Council included a provision of £1.004m and disclosed a contingent liability in Note 28.2 relating to potential future liability arising from appeals not submitted as at the balance sheet date.

For 2013/14, the total non-domestic rateable value at the end of the year was £224.317m (£226.475m in 2012/13).

The total income from ratepayers in 2013/14 was £87.452m (£83.150m in 2012/13).

This sum included £0.623m of transitional protection payments from ratepayers, which under regulations should have a neutral impact on the business rates retention scheme and will be repaid to Central Government.

### **3. Precepts and Demands**

#### **3.1 Council Tax**

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

#### **3.2 National Non-Domestic Rates**

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. Plymouth City Council's share is 49% with the remainder paid to precepting bodies. For Plymouth the NNDR precepting bodies are Central Government (50%share) and Devon and Somerset Fire and Rescue Authority (1% share).

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

## 4. Provisions for Non Payment

### 4.1 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 2013/14, £0.307m (£0.908m in 2012/13) was contributed to the Account and £0.738 (£5.110m in 2012/13) of irrecoverable debt was written off. The bad debts provision for this year is £1.668m (2012/13 £2.119m) and the movement in the provision is shown below:

Movement in Council Tax Allowance for Non-Collectability of Debt Account	2012/13	2013/14
	£000	£000
Balance brought forward 1 April	6,321	2,119
Contributions in year	908	307
Write Offs	(5,110)	(738)
Net change in provision	(4,202)	(431)
	2,119	1,688

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 Commissioner's and Fire Authority's proportion of the allowance for non-collectability for debt is £0.412m leaving a balance of £1.277m 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.

### 4.2 National Non-Domestic Rates

The Collection Fund account provides for bad debts on arrears on the bases of prior year experience and current year collection rates.

Movement in NNDR Allowance for Non-Collectability of Debt Account	2012/13	2013/14
	£000	£000
Balance brought forward 1 April	807	576
Write Offs	(2,257)	(183)
Contributions to provision	2,026	324
Net change in provision	(231)	141
Closing balance at 31 March	576	717

The Council's proportionate share of these write offs and increase in provision are shown below, the proportionate share of the preceptors are shown on the Balance Sheet as Debtors.

Movement in NNDR Allowance for Non-Collectability of Debt Account	2012/13	2013/14
	£000	£000
Balance brought forward 1 April	395	282
Write Offs	(1,106)	(90)
Contributions to provision	993	159
Net change in provision	(113)	69
<b>Closing balance at 31 March</b>	<b>282</b>	<b>351</b>

## 5. Provision for Appeals

The Collection Fund account also provides for provision for appeals against the rateable value set by the VOA not settled as at 31<sup>st</sup> March 2014. This is the first year of the provision.

Movement in NNDR Allowance for Appeals	2012/13	2013/14
	£000	£000
Balance brought forward 1 April	0	0
Contributions to provision in relation to prior years	0	478
Contributions to provision in relation to 2013/14	0	902
Total Contribution to provisions	0	1,380
Net change in provision	0	1,380
<b>Closing balance at 31 March</b>	<b>0</b>	<b>1,380</b>

The Council's proportionate share of the provision for appeals for this year is £0.676m (2012/13 £nil), the proportionate share of the preceptors are shown on the Balance Sheet as Debtors.

Movement in NNDR Allowance for Appeals	2012/13	2013/14
	£000	£000
Balance brought forward 1 April	0	0
Contributions to provision in relation to prior years	0	234
Contribution to provisions in relation to 2013/14	0	442
Net change in provision	0	676
<b>Closing balance at 31 March</b>	<b>0</b>	<b>676</b>

## 6. Distribution of Collection Fund Surpluses and Deficits

The net accumulated surplus on the Collection Fund at 31 March 2014 amounts to £1.537m (2012/13 £0.992m) with £2.087m surplus relating to Council Tax collection, £0.001m surplus relating to Community Charge and £0.550m deficit relating to NNDR.

The net surplus relating to Council Tax and Community Charge will be repaid to the City Council, Devon & Cornwall Police & Crime Commissioner, Devon and Somerset Fire & Rescue Authority in 2014/15 and 2015/16 in proportion to each authority's demand/precept on the Collection Fund. The Council's share of the surplus will be reviewed as part of the budget setting process for 2015/16.

The £2.087m surplus is apportioned as follows: Plymouth City Council £1.796m, Devon and Cornwall Police & Crime Commissioner £0.199m and Devon and Somerset Fire & Rescue Authority £0.092m.

The deficit relating to the NNDR will be apportioned between Plymouth City Council, Devon and Somerset Fire and Rescue Authority and the Government based on their proportionate shares in 2015/16.



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Please ask for: Malcolm Coe

Date 25 September 2014

My Ref FIN/CF

Your Ref

Dear Sirs

**Plymouth City Council**  
**Financial Statements for the year ended 31 March 2014**

This representation letter is provided in connection with the audit of the financial statements of Plymouth City Council for the year ended 31 March 2014 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 The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. In particular, we have made sufficient enquiries to satisfy ourselves that Property, Plant and Equipment not formally revalued in the year is fairly stated
- vi We are satisfied that the material judgements 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 judgements that need to be disclosed.

- vii Except as stated in the financial statements:
  - a there are no unrecorded liabilities, actual or contingent
  - b none of the assets of the Council has been assigned, pledged or mortgaged
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii 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.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- x All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii We have not adjusted the misstatement brought to our attention on page 19 the Audit Findings Report, as it is considered to be immaterial to the results of the Council and its financial position at the year-end. We explain this more fully at the end of this letter. The financial statements are free of material misstatements, including omissions.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

- xv 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 Council from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii 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.
- xix We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a management;
  - b employees who have significant roles in internal control; or
  - c others where the fraud could have a material effect on the financial statements.
- xx 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, regulators or others.

- xxi 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.
- xxii We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

xxiv 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.

**Unadjusted Misstatement**

As noted in paragraph xii, we have not adjusted for the one error notified to us in the Audit Findings Report as follows:

Auditor's Finding	Reason for No Adjusting
As in previous years, the Council has deviated from the guidance provided by CIPFA in a LAAP bulletin regarding the accounting treatment for investments held with Icelandic banks. If the Council were to follow CIPFA's guidance there would be a reversal of the loss of £1.5m 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 again raised this as an unadjusted misstatement for those charged with governance to consider.	The Council has been consistent and used a prudent approach in calculating the impairment adjustment within the accounts due to the continued uncertainty over the level of future recovery. Impairments have been made in line with actual receipts rather than those anticipated. Officers will continue to monitor the recovery during 2014/15 and make appropriate judgements in terms of the accounting entries accordingly.

**Approval**

The approval of this letter of representation was minuted by the Council at its Audit Committee meeting on 25 September 2014.

Signed on behalf of Plymouth City Council

**Malcolm Coe**

Assistant Director for Finance,

Date: 25 September 2014

**Cllr G Wheeler**

Chair of Audit Committee

Date: 25 September 2014

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**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Strategic Risk and Opportunity Register – Monitoring Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	25 September 2014
<b>Cabinet Member:</b>	Councillor Lowry
<b>CMT Member:</b>	David Trussler (Interim Strategic Director for Transformation and Change)
<b>Author:</b>	Mike Hocking, Head of Corporate Risk and Insurance
<b>Contact details</b>	Tel: 01752 304967 email: mike.hocking@plymouth.gov.uk
<b>Ref:</b>	CRM/MJH
<b>Key Decision:</b>	No
<b>Part:</b>	I

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**Purpose of the report:**

This report provides a summary of the latest formal monitoring exercise completed for the Strategic Risk and Opportunity Register for the period March 2014 to August 2014.

The total number of strategic risks reported has increased from 28 to 31 with the addition of 5 new risks and the deletion of 2. The number of red risks has increased from 4 to 6.

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.

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**The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:**

The Strategic Risk and Opportunity 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.

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**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 and opportunity registers could have financial or resource implications.

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

None arising specifically from this report but community safety, health and safety issues and risks are taken into account in the preparation of risk and opportunity registers.

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**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? Not required.

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**Recommendations and Reasons for recommended action:**

The Audit Committee is recommended to:

Note and endorse the current position with regard to the Strategic Risk and Opportunity Register.

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**Alternative options considered and rejected:**

Effective risk management processes are an essential element of internal control and as such are an important element of good corporate governance. For this reason alternative options are not applicable.

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**Published work / information:**

Plymouth City Council Risk and Opportunity Management [Strategy](#).

**Background papers:**

None.

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

**Sign off:**

Fin	djn14 15.41	Leg	DVS /211 90	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Malcolm Coe, Assistant Director for Finance													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## **1.0 Introduction**

- 1.1 The position with regard to the Strategic Risk and Opportunity Risk Register was last reported to this Committee on [13 March 2014](#) and this report now provides a summary of the latest monitoring exercise covering the position as at 31 August 2014.

## **2.0 Strategic Risk and Opportunity Register – Monitoring Summary**

- 2.1 In accordance with the strategy requirement for twice-yearly monitoring, the latest monitoring exercise was completed in August 2014 with the results discussed and agreed by CMT and the Portfolio Holder on 16 September 2014.
- 2.2 Attached to this report at Appendix A is a summary showing the current status of each risk and any movement in risk score compared with previous monitoring periods together with explanatory commentary on the key issues for each risk.

## **3.0 Headline Issues**

### **3.1 New Risks**

#### **Red Risk 99 - Governance Arrangements between ODPH, CCG and NHS England – (Row No. 2)**

The Health and Social Care Act 2012 transferred new and substantial health improvement and protection duties to Plymouth City Council in April 2013. In pursuit of this new duty, the Council commissions some services alongside providing a few services to the local population or other commissioners such as the CCG.

The ring fenced Public Health grant funding requires that the Council, in commissioning services using funds from the grant, ensures that appropriate clinical governance arrangements are put in place.

The public health system presently comprises aspects of public health commissioning and delivery sitting within different organisations such as Local Government, Public Health England, NHS England and CCG. Effective delivery of appropriate clinical governance expectations requires a high level partnership working and consistency across what is presently a fragmented system as far as public health is concerned.

The Council is therefore currently engaged in strengthening its in-house Public Health departmental governance arrangements and exploring and establishing joint governance arrangements with the NHS England Area Team and the CCG.

#### **Amber Risk 76 – Risk of not getting funding to progress development of Gypsy Sites – (Row No. 13)**

This is not a new risk, however was archived during the last monitoring period and has now been reinstated as there has been a delay in the Broadley Park development due to a legal issue around the drawing down of HCA grant funding. There is planned investment in addressing underlying causes of problems to reduce costs and problems associated with unauthorised encampments and developments.

### **3.2 Risk Score Unchanged**

#### **Red Risk 21 – Medium Term Financial Forecast - (Row No. 1)**

Monitoring for 2014/15 has identified risks associated with delivering new 3 year budget and these are recorded in a risk register included with budget papers. Robust challenges are now starting on management solutions and Transformation savings for 2015/16 and 2016/17 ahead of the next budget setting in February 2015.

**Red Risk 92 – Deterioration of the condition of the City’s Highway Network (carriageway and footways) – (Row No. 3)**

The survey work has continued with the results due in the Autumn. Meanwhile the scheduled resurfacing programme continues in line with additional funding of £2m per annum approved by Full Council. The Council's Highway contractor is also introducing new ways of working and equipment in order to achieve further improvements to the condition of the highway network.

**Red Risk 49 – Future of Civic Centre and Council House following listed status as not currently fit for purpose – (Row No. 5)**

An agreement could not be reached with the preferred developer that satisfied all the Council’s criteria under the procurement process and under the timescales we had set out. Dialogue will continue with interested parties to enable this regeneration project to make progress.

The Council will now vacate the Civic Centre office tower in the main by March 2015 and occupy alternative office accommodation. We are currently undertaking a twin-track approach which will either lead to the tower being sold to a private sector developer for conversion to non-council use which could include uses such as hotel, office, residential or leisure uses; or failing that the Council will work up a conversion scheme for office and other potential uses with the council occupying the space it requires with the remainder being leased as part of the Council’s commercial estate.

**3.3 Risk Score Reduced**

**Amber Risk 88 (decreased from 16 to 12) – Failure to secure Government funding through new process to deliver sufficient Major Transport Schemes (MTS) – (Row No. 21)**

The 2015 & 16 Growth Deal was announced in July 2014 and PCC has provisionally been allocated funding schemes, subject to approved business cases; Derriford Transport Scheme; Northern Corridor Signals; Eastern Corridor Strategic Cycle Network and Exeter Street Viaduct/Charles Cross improvement scheme. Discussions surrounding the 2016 & 17 Growth Deal will commence in September 2014 and it is anticipated that an announcement on the successful Growth Deal Schemes will be made in spring 2015. PCC will be looking to include the Forder Valley Link Road in the 2016 and 17 Growth Deal.

**Green Risk 60 (decreased from 12 to 9) – The impact on Revenue budget of Treasury Management activity - (Row No. 29)**

Monthly board meetings are now in place and setting the strategic direction cross-party for short and long term outlook. Banks are more secure and Icelandic banks are no longer significant. Monitoring will continue as part of MTFF.

**3.4 Risk Score Increased**

**Amber Risk 72 (increased from 12 to 20) – Significant pressure on Adult Social Care budget – (Row No. 6)**

A significant overspend is projected. Rigorous monitoring continues to be undertaken by Senior Management Team on a fortnightly basis and a containment plan is in place. Finance

and Business ADs and Director for People meet with Portfolio Holder for Finance on a weekly basis.

**Amber Risk 28 (increased from 12 to 16) – Increase in the number of looked after children – (Row No. 11)**

The current level of looked after children numbered at 411 exceeds targets. Placement monitoring meetings continue to ensure that only children with a need remain in care and this is monitored through weekly resource panel and quarterly through residential placement monitoring system. Commissioning work with colleagues continues to improve upon placement quality and choice. Work continues to increase level of in-house foster carers, a rigorous monitoring system is in place for pre-birth assessment work and a new family support team has been established.

**Amber Risk 96 (increased from 9 to 12) – Implementation of the Care Bill and the Dilnot cap on care costs – (Row No. 22)**

This Bill is the most significant change in adult social care legislation in a generation and major policy reforms are required. Care Act is part of Integrated Health & Wellbeing Transformation Programme. Work is under way on a peninsula basis to consider the potential for economies of scale through collaborative working on some key issues.

### 3.5 Deleted Risks

**Amber Risk 14 – Ensuring robust systems are in place to combat fraud and protect Council assets – (Row No. 32)**

This issue no longer considered a strategic risk and will therefore now be managed going forward as part of the Finance Operational Risk Register.

**Green Risk 81 – Impact of trading services and loss of local authority funding through academy status - (Row No. 33)**

This is no longer considered a strategic risk - services are fit for purpose and reviewed regularly.

### 4.0 Information Governance

- 4.1 A separate Annual Report will be presented to today's Committee outlining the work that has been undertaken by the Information Lead Officers Group (ILOG) during the last twelve months to improve information governance across all directorates.

### 5.0 Transformation Project

- 5.1 The Transformation Project has been constructed to align programmes to one another and to the Council's Corporate Plan in order to meet the current financial challenge. Governance for the Programme involves five delivery strands that link to a Portfolio risk register which is monitored by a Transformation Portfolio Board.

The Transformation strands are:

- Growth, Assets and Municipal Enterprise (GAME)
- Integrated Health and Well Being (IHWB)
- Customer and Service Transformation (CST)
- Co-operative Centre of Operations (CCO)
- People and Organisational Development (P&OD)

5.2 The Business Architecture Design is underway with business cases in many instances now in their third review in increasing detail by Cabinet. Using industry standard Portfolio, Programme and Project methodology there is growing confidence in the capability maturity and the Maturity Model tailored for PCC. There is a plan in draft for supporting the capability maturity and the governance and assurance role of the Portfolio Office is now established with a nearly complete complement of staff. Work is on-going to profile the benefit realisation for 14/15, 15/16 and 16/17. During the autumn in line with the budget preparation timeline the Architecture Design and Financial Analysis will prepare the profile for 15/16, 16/17 and 17/18.

5.3 The Transformation Portfolio Risk Register is reviewed regularly and reported to the Portfolio Board. The register identifies risks around 8 key themes as follows:-

- Engagement
- Leadership, skills and behaviours
- Benefits and outcomes of change
- Business and Technical Architecture
- Delivery of change
- Resources, capacity and skills for change
- Scrutiny
- Governance

Key potential risks identified include:-

- The impact of transformation on business as usual
- Ensuring that there is an adequate process for identification of benefits
- Insufficient allocation of resources in design and delivery to effect change
- The Council's capacity and capability to design and deliver the substantial changes to the way services are delivered in the future.
- Ownership and accountability for the change benefits
- Staff engagement and communication
- Partner engagement

## **6.0 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 community.

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 and Opportunity 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 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.

- 6.5 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.
- 6.6 The next formal review of the Strategic Risk and Opportunity Register will take place in February 2015.

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PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER NINETEEN AUG 2014 - Summary by Risk Rating APPENDIX A

ROW NO	RISK REF	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING			RESIDUAL RISK RATING			RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING			CHANGE IN RISK RATING	COMMENTS	RISK OWNER	RISK CHAMPION
			Feb-13			Aug-13			Feb-14			Aug-14						
			*P	*I		*P	*I		*P	*I		*P	*I					
1	21	<b>Medium Term Financial Forecast</b> issues - unable to meet spending reduction targets, negative impact on budgets, loss of reputation, negative impact on front line services and a negative opinion from external audit.	5	5	25	5	5	25	5	5	25	5	5	25	R	COMMENTS FEB 14: A 3 year budget was approved at Full Council at the meeting in February 2014 but risks remain for year 1, 2014/15 where £16m of cost reduction/additional income will be required. Budget papers include a risk register detailing individual assessments and countermeasures. Year 2 and 3 are heavily reliant on our Transformation Programme which itself is covered by individual risk assessments, which are monitored by the Transformation Board. <b>COMMENTS AUG 14: Monitoring for 14/15 has identified risks associated with delivering to budget. Robust challenges are now starting on management solutions and Transformation savings for 15/16 and 16/17 ahead of the next budget setting in February 2015.</b>	Malcolm Coe	Aaron Perrin
2	99	Potential risks resulting from the fragmented clinical and service <b>governance arrangements between ODPH, CCG and NHSE Area Team.</b>							New			5	5	25	R	<b>COMMENTS AUG 14: The Health and Social Care Act 2012 transferred new and substantial health improvement and protection duties to Plymouth City Council in April 2013. In pursuit of this new duty, the Council commissions some services alongside providing a few services to the local population or other commissioners such as the CCG. The ring fenced Public Health grant funding requires that the Council, in commissioning services using funds from the grant, ensures that appropriate clinical governance arrangements are put in place. The public health system presently comprises aspects of public health commissioning and delivery sitting within different organisations such as Local Government, Public Health England, NHS England and CCG. Effective delivery of appropriate clinical governance expectations require high level partnership working and consistency across what is presently a fragmented system as far as public health is concerned. The Council is therefore currently engaged in strengthening its in-house public health departmental governance arrangements and exploring and establishing joint governance arrangements with the NHS England Area Team and the CCG.</b>	Kelechi Nnoaham	Katrina Houghton
3	92	Deterioration of the condition of the City's <b>Highway Network</b> (carriageway and footways)	5	4	20	5	4	20	5	4	20	5	4	20	R	COMMENTS FEB 14: The Council have agreed to purchase a new detailed survey of the network to inform future investment aimed at maximising value for money. The system is the right tool to aid the development of our asset management plan and deliver treatments that meet the new Highway Maintenance Efficiency Programme (HMEP) criteria and associated DfT funding models. The survey work will commence in April 2014 and will be completed by October, enabling the Council to assess what options to move forward with in terms of MTFP. <b>COMMENTS AUG 14: The survey work has continued with the results in the Autumn. Meanwhile the scheduled resurfacing programme continues in line with additional funding of £2m pa approved by Full Council. The Council's Highway Contractor is also introducing new ways of working and equipment in order to achieve further improvements to the condition of the highway network.</b>	Adrian Trim	Gill Peele

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4	95	<b>Transformation Impact on Plymouth City Council Business</b> - PCC is embarking on a large Transformation Programme. The scale of change and the benefit realisation required to achieve the council's plan as a Co-operative Council and address funding/income shortfall by 2016 / 17 carries significant risk on its capability and capacity to achieve this result.				New			4	5	20	4	5	20	R	COMMENTS FEB 14: Each of the 5 Transformation Programme delivery strands link to a Portfolio risk register which is monitored by the Transformation Board. The project is currently at the planning stage and therefore until the projected outcomes and benefits are realised the risk remains a significant one for the Council, particularly with regard to the delivery of the target budget savings. The benefits that the projects need to achieve have been challenged and there is confidence in the robustness of the financial plan for 2014. The budget for 2015/16 and 2016/17 have what are considered achievable figures but are still to go through a budget challenge process as part of building the Full Business Case for each Programme. COMMENTS AUG 14: The Business Architecture Design is in full flight with business cases in many instances now in their third review in increasing detail by Cabinet. Using industry standard Portfolio, Programme and Project methodology there is growing confidence in the capability maturity and the plan to develop and measure that maturity using a Transformation Capability Maturity Model tailored for PCC. There is a plan in draft for supporting the capability maturity and the governance and assurance role of the Portfolio Office is now established with a nearly complete complement of staff. Work is on-going to profile the benefit realisation for 14/15, 15/16 and 16/17. At this point the benefit profile for 14/15 is well understood with a significant amount already banked. During the autumn in line with the budget preparation timeline the Architecture Design and Financial Analysis will prepare the profile for 15/16, 16/17 and 17/18.	David Trussler	Sue Thomas
5	49	Future of <b>Civic Centre</b> and Council House following listed status as not currently fit for purpose.	4	5	20	4	5	20	4	5	20	4	5	20	R	COMMENTS FEB 14: The procurement process has run its course and we continue dialogue with interested parties to take forward a development solution. We have secured new office accommodation at Ballard House, which is cost effective and will increase efficiency. COMMENTS AUG 14: An agreement could not be reached with the preferred developer that satisfied all the Council's criteria under the procurement process and under the timescales we had set out. Dialogue will continue with interested parties to enable this regeneration project to make progress. The Council will now vacate the Civic Centre office tower in the main by March 2015 and occupy alternative office accommodation. We are currently undertaking a twin-track approach which will either lead to the tower being sold to a private sector developer for conversion to non-council use which could include uses such as hotel, office, residential or leisure uses; or failing that the Council will work up a conversion scheme for office and other potential uses with the council occupying the space it requires with the remainder being leased as part of the Council's commercial estate.	David Draffan / David James	Gill Peele
6	72	Significant pressure on <b>Adult Social Care budget</b>	3	4	12	3	4	12	3	4	12	5	4	20	A	COMMENTS FEB 14: Rigorous monitoring is undertaken by ASC Senior Management Team on a fortnightly basis. COMMENTS AUG 14: A significant overspend is projected. ASC budget containment plan is in place. Rigorous monitoring continues to be undertaken by ASC Senior Management team on a fortnightly basis, finance and Business ADs and Director for People meet with Portfolio Holder for Finance on a weekly basis.	Dave Simpkins	Julie Cook

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7	46	The Council not meeting its obligations to keep <b>citizen data secure</b> , or provide and display information in line with statutory requirements. The consequence can be a financial penalty and/or reputational damage resulting in loss of trust in the Council which will affect the ability of the Council to work efficiently and effectively with the public, contractors or partner organisations (formerly Information Governance)	4	4	16	4	4	16	4	4	16	4	4	16	↓ A	COMMENTS FEB 14: The Information Lead Officers Group has an Action Plan which is informed by a recent Internal Audit of Information Governance and in preparation for an external audit of Data Protection Act compliance by the Information Commissioners Office in April 2014. An eLearning package for all computer users 'Data Safe' has just been provided to all computer users. Current key issue is the governance and storage of council records, due to the planned change in the location of council staff and the use of buildings. Risk reduction will be reliant on processes put in place through the Transformation Project. <b>COMMENTS AUG 14: An action plan has been produced following the Information Commissioners Office (ICO) concensual audit which took place in April 2014. A Delivery Group has been established to co-ordinate implementation of the ICO recommendations. The ICO will undertake a desk based follow up of the audit early in 2015. A new post of Information Governance Manager has been created to support the delivery of the action plan.</b>	Mike Hocking	Julie Hosking
8	83	<b>Health Inequalities</b> - not meeting high level partnership target to reduce the gap in life expectancy by at least 10% between the fifth of areas (eight neighbourhoods) with the lowest life expectancy and the population as a whole by 2020	4	4	16	4	4	16	4	4	16	4	4	16	█ A	COMMENTS FEB 14: A quarterly performance report has been developed to go to Caring Scrutiny Panel and Joint Commissioning Partnership. The grant allocation received by the Council to fund its public health work was discussed at the full Council meeting held on 27 January 2014. At this meeting a 'motion on notice' was unanimously agreed. As a result of this a joint letter has been sent to the Health Secretary asking that Plymouth's allocation be reviewed as a matter of urgency. In addition to this, the Council's Chief Executive and Director of Public Health held a teleconference with the Chief Executive of Public Health England to put the case for additional public health resource being directed to the City. If these approaches result in more funding being forthcoming then the Council will be in a stronger position to put programmes of work in place which will, in the longer term, address the gap in life expectancy. <b>COMMENTS AUG 14: A revised approach to health inequalities will be launched in November 14 and will go to Cabinet and subsequently Caring Scrutiny in December. This will be a 10 year plan providing focus on the 4 main causes of health inequalities. Its aim will be to galvanise the work of PCC and partners. The initial stage will focus on working with employers.</b>	Rob Nelder	Katrina Houghton
9	84	Impact of <b>Welfare Reform</b> on Plymouth City Council and our customers	4	4	16	4	4	16	4	4	16	4	4	16	█ A	COMMENTS FEB 14: Progress continues against action plan, including direct contact with those claimants affected, campaigns targeting groups and support for credit unions and ban on advertising of pay day lenders. <b>COMMENTS AUG 14: Groups continue to meet and implement updated action plan. Commissioned services are monitored alongside developments. The Emergency &amp; Welfare fund is under review due to funding cuts. Benefit take up campaigns targeting groups are scheduled and support for credit unions and ban on pay day lending continues.</b>	Peter Aley	Julie Cook
10	33	Ensuring there is adequate <b>capital for Education Infrastructure</b>	4	4	16	4	4	16	4	4	16	4	4	16	█ A	COMMENTS FEB 14: Approval given for new build at Knowle and additional spaces at St Peter's CE Pennycross and Woodfield. Project plans need to be agreed in order that the majority of the work is completed by Sept 2015. <b>COMMENTS AUG 14: Project Plans in place for Knowle, St Matthew's CE Primary and Nursery Academy, expansions at Woodford Primary and Holy Cross RC for September 2015. Pennycross and Woodfield will be future projects. Sufficient places across the city for all pupils requiring statutory education.</b>	Jayne Gorton	Julie Reed








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11	28	Increase in the number of <b>looked after children</b> and those subject to a Child Protection Plan leading to cost pressures on independent placements, staffing and resources	3	4	12	3	4	12	3	4	12	4	4	16	 A	COMMENTS FEB 14: The number of in-house Foster Carers has increased as anticipated. They are used effectively, however, the complexity of children's needs means there is still a demand for Independent Fostering Agencies (IFA's). Soft market testing with residential providers was undertaken and it was agreed that further residential provision was not going to be commissioned. <b>COMMENTS AUG 14: The current level of looked after children numbered at 411 exceeds targets. Placement monitoring meetings continue to ensure that only children with a need remain in care, this is monitored through weekly resource panel and quarterly through residential placement monitoring system. Commissioning work with colleagues continues to improve upon placement quality and choice. Work continues to increase level of in-house foster carers, a rigorous monitoring system is in place for pre-birth assessment work and a new family support team has been established.</b>	Alison Botham	Julie Cook
12	86	<b>Strategic Housing Private Sector Housing Intervention</b> - reducing capital resources.	3	4	12	4	4	16	4	4	16	4	4	16	A	COMMENTS FEB 14: The delivery plans have been signed off and regular reports on progress will be given through the Corporate Plan performance monitor and relevant portfolio holder. Private rented sector interventions are under review linked to outcomes of the Fairness Commission - which may require further resources not currently available. <b>COMMENTS AUG 14: Investment has been made through mandatory grants and discretionary loan interventions through Housing Assistance Framework. A prioritisation matrix is under development to ensure that the most vulnerable receive help first. Delivery plans have been revised, progress reports continue to be produced through Corporate Performance monitoring.</b>	Stuart Palmer / Paul Barnard	Julie Cook
13	76	Risk of not getting funding to progress development of <b>Gypsy Sites</b> .							Reinstated			3	5	15	A	COMMENTS AUG 14: <b>This is not a new risk, however was archived during the last monitoring period and has now been reinstated as there has been a delay in the Broadley Park development due to a legal issue around the drawing down of HCA grant funding. There is planned investment in addressing underlying causes of problems to reduce costs and problems associated with unauthorised encampments and developments</b>	Peter Aley	Julie Cook
14	67	Working with partners in the prevention of <b>Violent Extremism</b> .	3	5	15	3	5	15	3	5	15	3	5	15	A	COMMENTS FEB 14: Prevent Action Plan continues to be delivered and Channel process now established in Plymouth - being used to identify, assess and intervene with at-risk individuals. <b>COMMENTS AUG 14: Counter Terrorism Local Profile (CTLP) received and responded to. Prevent Action Plan is being delivered with partners, and Plymouth Channel Panel is active in responding to referrals.</b>	Peter Aley	Julie Cook
15	24	Ensuring processes are in place to <b>protect staff from violent incidents</b> whilst carrying out their duties.	3	5	15	3	5	15	3	5	15	3	5	15	A	COMMENTS FEB 14: CRM upgrade underway, once complete the alerts module can go live. <b>COMMENTS AUG 14: No update received.</b>	Emma Rose	Michelle Chapman

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16	51	Delivery of sustained and accelerated economic and population growth in line with the Council's Corporate Plan and vision for the City.	3	5	15	3	5	15	3	5	15	3	5	15	A	COMMENTS FEB 14: The launch of The Plan for Homes on 1 November with 16 specific initiatives which will help deliver the accelerated population growth that is being planned through the Plymouth Plan. In addition the Transformation Programme now contains the Growth, Assets and Municipal Enterprise programme of activity which will provide further impetuous into population growth. A City Deal has been signed which has the potential to deliver 10,000 jobs and will see South Yard transformed along with initiatives to help young people stay in employment and for more businesses to be supported and started up. There has been close work with the LEP to produce an EU Strategic Investment Framework which will shape the allocations of EU monies through to 2020. <b>COMMENTS AUG 14: The Growth and Assets Full Business Case was approved by Cabinet in June. The business case demonstrates a structure in place to accelerate commercial and housing developments and thereby achieving a minimum of £6.7m Growth Dividend. This in turn will enable a pipeline of future developments over the next three years. The latest monthly figures for Job Seeker claimants in Plymouth continue to show a downward trend.</b>	Paul Barnard / David Draffan	Gill Peele
17	59	Financial risk associated with investigation and clean up of contaminated land	3	5	15	3	5	15	3	5	15	3	5	15	A	COMMENTS FEB 14: The funding that was previously available from DEFRA has now been withdrawn and consequently if land is identified as contaminated the Council would have to identify resources to comply with the statutory duties. <b>COMMENTS AUG 14: As sites are identified remediation work is completed. Last site identified was Lipson Vale and a grant was obtained from DEFRA to complete the work.</b>	Simon Dale / Robin Carton	Katrina Houghton
18	68	Failure to reach recycling targets and divert waste from landfill	3	4	12	3	4	12	3	4	12	3	4	12	A	COMMENTS FEB 14: Recycling rates have improved 0.5% to end of Q3 in 2013/14 compared to previous year against a regional/national trend of decline but rates remain below PFI Final Business Case (FBC) projections. PCC's last formal initiative declared in PFI FBC is to deliver a city-wide kerbside glass collection service and this is programmed for 2014. A PFI grant condition risk remains hence PCC must continue with its drive to deliver the FBC initiatives and improve recycling rates. A review of waste strategy is underway to consider future options. <b>COMMENTS AUG 14: Out-turn recycling rates for 2013/14 show continuing improvement and the kerbside glass collection scheme which is the last formal PCC initiative noted in the PFI Financial Business Case (FBC) has been launched which should provide further improvement. However these schemes are not delivering the recycling rate improvements forecast in the FBC and hence a condition risk remains that Defra may request further action. Notwithstanding the PFI Efficiency from Waste project is scheduled to come on line at the end of 2014 and the PFI to commence at that point.</b>	Simon Dale / Mark Turner	Gill Peele
19	93	Failure to deliver the range of housing to meet Plymouth's need	New			3	4	12	3	4	12	3	4	12	A	COMMENTS FEB 14: The Get Plymouth Building programme continues to deliver increased momentum. This has been supplemented with the launch of The Plan for Homes on 1 November 2013 which aims to deliver 1,000 homes per annum. <b>COMMENTS AUG 14: The Growth and Assets Business Case approved by Cabinet in June 2014 demonstrates the infrastructure in place funded by the Growth Dividend, to support the growth in housing. Progress is reviewed regularly.</b>	Paul Barnard	Gill Peele

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20	94	Delivering the <b>Early Intervention and Prevention Strategy</b>				New			4	3	12	4	3	12		COMMENTS FEB 14: The Early Intervention & Prevention Strategy is now embedded and the action plan is being refreshed. Risks are that the Strategy fails to deliver on multi-agency outcomes to reduce the number of referrals into Social Care. <b>COMMENTS AUG 14: Transformation Team have captured this into the business process for development and presentation to Cabinet Planning in November.</b>	Alison Botham / Judith Harwood	Julie Reed
21	88	Failure to secure Government funding through new process to deliver sufficient <b>Major Transport Schemes (MTS)</b>	4	4	16	4	4	16	4	4	16	3	4	12		COMMENTS FEB 14: The decisions made by the LTB in July 2013 still stand regarding giving the go ahead in principle to the Derriford Roundabout scheme and having first call on the HotSW LEP Single Local Growth Fund when announced in July 2014 to cover the remaining £4.4m required. The HotSW Strategic Economic Plan is being prepared for submission on 31 March which will include outline business cases for Forder Valley Link Road and Pomphlett Roundabout to the Ride in addition to the long list of schemes already prioritised by the LTB in 2013. This will determine how much the HotSW LEP will be allocated for Capital Schemes including Major Transport Schemes through a 6 year Growth Deal. <b>COMMENTS AUG 14: The 2015 &amp; 16 Growth Deal was announced in July 2014 and PCC has provisionally been allocated funding schemes, subject to approved business cases; Derriford Transport Scheme; Northern Corridor Signals; Eastern Corridor Strategic Cycle Network and Exeter Street Viaduct/Charles Cross improvement Scheme. Discussions surrounding the 2016 &amp; 17 Growth Deal will commence in September 2014 and it is anticipated that an announcement on the successful Growth Deal Schemes will be made in Spring 2015. PCC will be looking to include the Forder Valley Link Road in the 2016 &amp; 17 Growth</b>	Philip Heseltine	Gill Peele
22	96	<b>Implementation of the Care Bill and the Dilnot cap on care costs</b> - financial risk associated with additional assessment activity, managing care accounts and earlier funding of care costs				New			3	3	9	3	4	12		COMMENTS FEB 14: New Strategic risk in respect of changes to the Care Bill sets out key proposals for reforming the way adult social care is funded from April 2016. <b>COMMENTS AUG 14: Most significant change in ASC legislation in a generation. Major policy reforms required. Care Act is part of Integrated Health &amp; Wellbeing Transformation Programme. Work is underway on a peninsula basis to consider the potential for economies of scale through collaborative working on some key issues.</b>	Dave Simpkins	Julie Cook
23	73	<b>Employee Relations</b>	3	4	12	3	3	9	3	4	12	3	4	12		COMMENTS FEB 14: Negotiations about to commence for 2014/15. <b>COMMENTS AUG 14: No update received.</b>	Chris Squire	Michelle Chapman
24	82	Potential legislative non-compliance of <b>PCC buildings</b> due to fragmented ownership and responsibility	2	5	10	2	5	10	2	5	10	2	5	10		COMMENTS FEB 14: A Health and Safety audit will be completed Feb 2014 and issues identified will be addressed to ensure compliance with H&S legislation. <b>COMMENTS AUG 14: The recommendations of the audit are being worked through. Gaps identified, particularly around competency of responsible persons, will be addressed through forthcoming restructures.</b>	Chris Trevitt	Aaron Perrin



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25	30	<b>ICT Resilience</b> - Ensuring there is adequate disaster recovery in place to deal with the unavailability of ICT.	2	5	10	2	5	10	2	5	10	2	5	10	G	COMMENTS FEB 14: Project scope changed to bring forward replacement of legacy equipment in Civic to avoid duplication of work and minimise business disruption and risk. The majority of services are now running from the new infrastructure in the Civic increasing resilience. Final migration to Windsor is planned for completion during Q1 14/15 once a full DR test is completed for the site. <b>COMMENTS AUG 14: The majority of key services are now migrated to Windsor House and there are failover arrangements in place for key systems. Business Continuity Plans (BCP) are maintained by each of the business areas and co-ordinated by the Civil Protection Unit. These would need to be invoked if there was a total failure of ICT.</b>	John Kenny	Helen Cocks
26	08	Ensuring the Council has a robust <b>Business continuity</b> planning strategy in place to facilitate resumption of normal business activities should a serious incident occur	2	5	10	2	5	10	2	5	10	2	5	10	G	COMMENTS FEB 14: A revised Departmental Recovery Plan has been created to make the process easier to understand and ensure that plans are constantly kept up to date. The strategy group continues to monitor potential incidents and lead corporately in building resilience. <b>COMMENTS AUG 14: Departmental Recovery Plans are reviewed on a six monthly basis and a selection will be subject to scrutiny during the National Exercise, Exercise Cygnus in October 2014. The strategy group continues to lead corporately in responding to and providing mitigation from threats that have the potential to disrupt the authorities service delivery.</b>	Jamie Whitford-Robson	Katrina Houghton
27	98	Risk of suspension of access to key public health data due to organisational non compliance with the <b>Information Governance Toolkit</b> for Department of Health e.g. access to Health & Social Care Information Centre data.							New			2	5	10	G	<b>COMMENTS AUG 14: Loss of access to this key base population data for the city will prevent accurate intelligence to both the CCG and PCC to support decision making as part of the mandated function of the local public health team. Business Support Managers to work jointly in a sub group of the Information Lead Officer Group ahead of 2015 compliance in order to compile evidence and refresh on a rolling program</b>	Kelechi Nnoaham	Katrina Houghton
28	97	<b>Integration of ASC and Community Health</b> under the Integration Health & Wellbeing Transformation Programme							New			3	3	9	G	<b>COMMENTS AUG 14: Delegation of the LA functions to a Social Enterprise. Integrated Health &amp; Wellbeing Transformation Programme and Integrated Project Board.</b>	Dave Simpkins	Julie Cook
29	60	The impact on Revenue budget of <b>Treasury Management</b> activity (formerly Economic downturn affecting treasury management)	3	4	12	3	4	12	3	4	12	3	3	9	G	COMMENTS FEB 14: Revised Treasury Measurement strategy to be presented to Audit Committee in January 2014 and Full Council in February 2014 which will allow more delegated authority to the Treasury Management board and broader remit on borrowing and loan arrangements to maximise interest return/minimise borrowing costs. Monthly strategic TM board meetings now minuted and actions logged. Attended by Finance lead for both elected parties. <b>COMMENTS AUG 14: Monthly board meetings are now in place and setting the strategic direction cross-party for short and long term outlook. Banks are more secure and Icelandic banks are now not significant. Monitoring will continue as part of MTF.</b>	Malcolm Coe	Aaron Perrin
30	100	<b>Transformation of Youth Service.</b>							New			2	4	8	G	<b>COMMENTS AUG 14: A reduction of £480,000 over 3 years. Completed rationalisation of business support and management. Next is remodelling of frontline delivery. The main risk is disruption to frontline service and ensuring business continuity. It is also key to ensure the new model (Community development model) process is kept in line with, and keeps pace with, the budget reduction</b>	John Miller	Julie Cook

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER NINETEEN AUG 2014 - Summary by Risk Rating APPENDIX A

ROW NO	RISK REF	POTENTIAL RISKS IDENTIFIED	RESIDUAL RISK RATING			RESIDUAL RISK RATING			RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING		CHANGE IN RISK RATING	COMMENTS	RISK OWNER	RISK CHAMPION	
			Feb-13			Aug-13			Feb-14			Aug-14						
			*P	*I		*P	*I		*P	*I		*P	*I					
31	91	Failure to keep abreast of and track new and emerging legislation as part of the powers following <b>Localism Act</b> (regulations)	3	4	12	3	4	12	3	4	12	2	4	8		COMMENTS FEB 14: When we have secured a permanent Contracts Lawyer to the vacant post that person will be designated to undertake the tracking of new and emerging legislation. It is hoped that this situation will be resolved early in the new financial year. <b>COMMENTS AUG 14: Lawyer appointed and legislation being tracked as business as usual.</b>	Dave Shepperd	Cheryl Spear
32	14	Ensuring robust systems are in place to combat fraud and protect Council assets	2	5	10	3	5	15	3	5	15	Delete				COMMENTS FEB 14: Devon Audit Partnership are continuing to work with the Council in reviewing its strategy and policies surrounding fraud and corruption. The Council have taken steps to address particular service areas susceptible to fraud such as Single Person Discount within Council Tax, with the appointment of Capita Local Government Services to carry out a comprehensive review of this area and identify those claiming discount to which they are not entitled. In addition, the Council have conducted high profile exercises to tackle blue badge fraud, taking action against those found to be misusing blue badges as well as working in partnership with other Local Authorities and Registered Housing Providers across Devon to tackle Social Housing Fraud. Plymouth is taking the lead in this project to identify and investigate cases of potential social housing fraud and sanction when appropriate. The Council continues to work on addressing housing benefit and council tax support fraud. <b>COMMENTS AUG 14: In the absence of any hard evidence of actual increase in detected fraud the risk will no longer be included in the Strategic Risk Register and the issue will therefore now be managed going forward as part of the Finance Operational Risk Register.</b>	Dominic Measures	Aaron Perrin
33	81	Impact of trading services and loss of local authority funding through <b>academy status</b>	3	4	12	3	4	12	2	5	10	Delete				COMMENTS FEB 14: Changes to schools funding does not appear to have impacted greatly on services bought back. Services are fit for purpose and reviewed regularly. <b>COMMENTS AUG 14: No longer a strategic risk.</b>	Jayne Gorton	Julie Reed
* 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																		



**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Information Asset – Annual Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	25 September 2014
<b>Cabinet Member:</b>	Councillor Lowry
<b>CMT Member:</b>	David Trussler (Interim Strategic Director for Transformation and Change)
<b>Author:</b>	Mike Hocking, Head of Corporate Risk and Insurance
<b>Contact details</b>	Tel: 01752 304967 email: <a href="mailto:mike.hocking@plymouth.gov.uk">mike.hocking@plymouth.gov.uk</a>
<b>Ref:</b>	CRM/MJH
<b>Key Decision:</b>	No
<b>Part:</b>	I

**Purpose of the report:**

This report provides a summary of the work that has been undertaken by the Information Lead Officers Group (ILOG) to improve information governance principles across all Directorates in order to improve the Council's information asset.

In 2010/11 Devon Audit Practice conducted a review of information management arrangements and reported a finding of "fundamental weakness" which was reported to this Committee on [27 June 2011](#).

A specific breach of the Data Protection Act (DPA) occurred in November 2011 and a fine of £60,000 imposed by the Information Commissioner's Office (ICO).

As a result of the above Corporate Management Team approved the formation of an Information Lead Officer's Group (ILOG) which was established in February 2012 in order to implement an action plan to enable the information asset to meet the council's service delivery goals and ensure on-going legislative compliance.

**The Brilliant Co-operative Council Corporate Plan 2013/14-2016/17:**

Information Governance is included in risk registers that include links to the Corporate Plan objectives – monitoring of control action for 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.

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

Risk Management – Information Governance is included as a risk in all directorate risk registers

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**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? No, as Information Governance applies to any data or information irrespective of its subject.

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**Recommendations and Reasons for recommended action:**

The Audit Committee is recommended to:  
 Note and endorse the current position with regard to the action plan of the Information Lead Officers Group.

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**Alternative options considered and rejected:**

Effective Information Governance processes are essential in helping to ensure compliance with legislative requirements such as the Data Protection Act and fulfilling the Council’s duty of care to its customers. For this reason alternative options are not applicable.

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**Published work / information:**

**Background papers:**

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	

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**Sign off:**

Fin	Djn141 5.42	Leg	DVS/ 2116 6	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## **1.0 Introduction**

- 1.1 This report provides a summary of the work that has been undertaken by the Information Lead Officers Group (ILOG) to improve information governance principles across all directorates in order to protect the council's information asset.
- 1.2 In 2010/11 Devon Audit Practice conducted a review of Information Management arrangements and reported a finding of "fundamental weakness" which was reported to this Committee on [27 June 2011](#).
- 1.3 A specific breach of the Data Protection Act (DPA) occurred in November 2011 and a financial penalty of £60,000 was imposed by the Information Commissioner's Office (ICO).
- 1.4 As a result of the above the Corporate Management Team approved the formation of an Information Lead Officers Group (ILOG) which was established in February 2012 in order to implement an action plan to improve the Council's information governance resilience in order to meet service delivery goals and ensure on-going legislative compliance.

## **2.0 The Council's response**

- 2.1 The inaugural meeting of ILOG took place on 22 March 2012 and the terms of reference of the group are listed in more detail in paragraph 3.0 of this report.
- 2.2 An initial list of priority issues was drawn up and incorporated into an action plan which was RAG rated based on the perceived importance of each issue.
- 2.3 A communication action plan was also drawn up and the first of a series of staff communications was circulated in March 2012 in order to begin raising awareness.
- 2.4 An Information Governance risk audit was carried out via the Operational Risk Management Group.
- 2.5 Devon Audit Partnership (DAP) also carried out an independent review of our information governance arrangements and the results of this were presented to this Committee in [March 2014](#).
- 2.6 Based on the recommendations from DAP's report an action plan has been produced which identifies responsible officers and target dates for completion. The action plan is linked to the Corporate Transformation Programme and will be actioned where appropriate to a strand of the Programme.

## **3.0 Information Commissioners Office**

- 3.1 The Information Commissioner is responsible for enforcing and promoting compliance with the Data Protection Act 1998 (the DPA). Section 51(7) of the DPA contains a provision giving the Information Commissioner power to assess any organisation's processing of personal data for the following of good practice, with the agreement of the data controller. This is done through a consensual audit.

3.2 In July 2013 the Council agreed to a consensual audit by the ICO Good Practice Department and this took place at the end of April 2014 and focussed on three areas:-

- **Records management** (manual and electronic) - The processes in place for managing both manual and electronic records containing personal data.
- **Training and awareness** - The provision and monitoring of staff data protection training and the awareness of data protection requirements relating to their roles and responsibilities.
- **Subject access requests** - The procedures in operation for recognising and responding to individuals' requests for access to their personal data.

3.3 As a result of the audit 49 recommendations have been made by the ICO primarily around enhancing existing processes to facilitate compliance with the DPA.

3.4 The ICO's overall conclusion was that Plymouth City Council is currently providing "limited assurance" that processes and procedures are in place and delivering data protection compliance

3.5 Areas of good practice identified by the ICO were:-

- Adult Social Care have not created manual records since July 2012 due to scanning and shredding manual information which eases demands on physical storage, simplifies retention and reduces security risks
- Implementation of the Data Safe e-learning course
- The 'Information Access Business Processes' guidance which provides clear details of team specific processes to be used when responding to a subject access request
- Maintaining comprehensive records of subject access requests and performance response times.

3.6 The main areas for improvement were noted as:-

- The post of the data protection lead has been dissolved and the responsibilities are yet to be reassigned
- The identification and appointment of Information Asset Owners (IAOs) needs to take place corporately
- No consistent review of data protection related policies
- There is no named individual or post with overall responsibility for the provision of data protection training
- There is no compulsory specialist training for employees undertaking roles such as Data Protection Officer, Senior Information Risk Owner, Information Lead Officers, Records Manager and IAOs
- A corporate Information Asset Register to be created and used to continually risk assess information assets
- There is no quality assessment of the application of subject access redactions and exemptions or responses to third party requests, unless requested by an Information Access Officer.

- 3.7 An action plan has been produced and an audit delivery group has been established to co-ordinate implementation of the ICO recommendations.
- 3.8 One of the recommendations from the ICO audit was to reinstate the post of the data protection lead (first bullet point in 3.6). A new post of Information Governance Manager has now been created to support the delivery of the action plan.
- 3.9 The ICO will undertake a desk-based follow up of the audit early in 2015. This will assess progress against recommendations and will require senior sign off at Chief Executive or Board member level. Following that audit the ICO will review the Council's rating.

#### **4.0 ILOG Terms of Reference**

- 4.1 The ILOG comprises of Information Lead Officers (ILOs) for each directorate who provide the means for achieving a co-ordinated information governance framework that will develop an increasing return on information holdings and improvements to service delivery.
- 4.2 The Information Lead Officers will be responsible for reporting directly to their management teams in order to secure buy-in and commitment to initiatives instigated by the ILOG.
- 4.3 Performance will be monitored through an annual report to Audit Committee on the status of the information asset and the first of these was brought to this Committee in [June 2013](#).
- 4.4 ILOs will direct work streams within their service areas in accordance with the overall governance of the information asset.
- 4.5 The current ILOG work plan includes promoting improvements in:
- Identifying and classifying holdings of data and information
  - Trustworthiness and reliability of data
  - Storage of electronic holdings, paper documents and physical artefacts
  - Privacy requirements
  - Information exchange and sharing
  - Information availability
  - Reducing duplication of data
  - Determining the council's approach to the information asset and providing analysis of its efficient and effective use.
  - Staff and customer awareness and compliance with responsibilities
- 4.6 The group will continue to oversee action plans arising from the Information Governance risk audit completed by the Operational Risk Management Group.
- 4.7 Activities will be implemented through Information Asset Owners (IAOs) – those staff responsible for information holdings, or individual systems or applications within

a service area and specialist working groups such as the Management of Information Security Form, Freedom of Information Representatives and the Operational Risk Management Group.

4.8 The group is also supported by the Caldicott Guardians (the AD's for social care as the responsible managers for people's social and health data).

4.9 The group meets bi-monthly.

## 5.0 Actions

5.1 Actions arising out of the group during the past 12 months include:

- Team briefing (Jan 14)
- Action plan rolled out following DAP audit
- Information Management staffroom pages revised
- Staffroom campaign during Oct 13 followed by Data Safe Course Nov 13 for all staff
- Information management capability included in staff appraisal
- Team Plymouth communication
- Staffroom articles (Jun 13/Sep 13/Nov 13/Dec 13)
- Information Governance risk audit
- Continued promotion of incident reporting so that lessons can be learnt
- Office walk-throughs continuing across Directorates

## 6.0 Future actions over the next 12 months

6.1 ILOG's action plan over the next 12 months include:

- Freedom of Information compliance to continue to be improved
- Information Asset Owners to be identified and trained within each service area
- Information Asset Registers to be created
- Carry out a further Information Governance risk audit via the Operational Risk Management Group
- Follow up action plan arising out of ICO/DAP audits
- Roll out Data Safe refresher training for all staff
- Introduce revised security policy framework
- Incident / Breach definition and reporting to be improved
- Develop an Information Governance communication strategy
- Produce an Information Risk Management Policy

## 7.0 Summary and conclusion

7.1 Good Information Governance provides people with confidence that their personal information is being handled properly, protects the vulnerable, enables the delivery of services and ensures that transparency requirements are met

- 7.2 There are practical difficulties in trying to achieve this objective against a background of re-organisation and financial constraint and it will take a considerable culture shift within the organisation to ensure all processes and staff take appropriate care when handling data and look after the interests of the people of Plymouth.
- 7.3 Over the next 12 months ILOG will continue to focus on educating members, staff and partners about the potential pitfalls and how each of us can reduce the risk of not meeting statutory requirements.

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**Subject:** Annual Report on Treasury Management Activities  
for 2013/14

**Committee:** Audit Committee

**Date:** 25<sup>th</sup> September 2014

**Cabinet Member:** Councillor Lowry

**CMT Member:** Malcolm Coe

**Author:** David Northey, Head of Corporate Strategy

**Contact:** david.northey@plymouth.gov.uk  
01752 305428

**Ref:** djn0914

**Key Decision** No

**Part:** I

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**Purpose of the report:**

In order to comply with the Code of Practice for Treasury Management, the Council is required to formally report on its treasury management activities for the year, providing information on the progress and outcomes against the Treasury Management Strategy. This report covers the treasury management activities for financial year 2013/14; it also includes the final position on the statutory Prudential Indicators.

This report:

- a) is prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
- b) presents details of capital financing, borrowing, debt rescheduling and investment transactions for the year 2013/14;
- c) provides an update on the risk inherent in the portfolio and outlines actions taken by the authority during the year to minimise risk;
- d) gives details of the outturn position on Treasury Management transactions in 2013/14;
- e) confirms compliance with treasury limits and Prudential Indicators (PIs) and outlines the final position on the PI's for the year

In line with the recommendations in the Code of Practice, this report is submitted to Audit Committee as the committee responsible for scrutiny of the treasury management function.

In accordance with Treasury Management Practices note 6, the report is required to be presented to Full Council.

**The Brilliant Co-operative Council Corporate Plan 2013/14 – 2016/17:**

In July 2013, the Council adopted a new Corporate Plan, to be a Brilliant Co-operative Council. Treasury management activity has a significant impact on the Council’s activity both in revenue budget terms and capital investment and is a key factor in facilitating the delivery against a number of corporate priorities.

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

Into the medium and longer term the Council is facing significant pressures due to the national economic situation, which has led to a reduction in resources for local authorities over the Government’s latest spending period. Effective Treasury Management will be essential in ensuring the Council’s cash flows are used to effectively support the challenges ahead.

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

There is an inherent risk to any Treasury Management activity. The Council continues to manage this risk by ensuring all investments are undertaken in accordance with the approved investment strategy, and keeping the counterparty list under constant review.

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**Recommendations & Reasons for recommended action:**

1. Audit Committee note the Treasury Management annual report for 2013/14.
2. Refer the report to Full Council to note as required by the CIPFA Treasury Management Code of Practice (TMP note 6).

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**Alternative options considered and reasons for recommended action:**

None - it is requirement to report to Council on the treasury management activities for the year.

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**Background papers:**

- Treasury Management Strategy report to Audit Committee 25 February 2013
- Mid-Year Review report to Audit Committee 12 December 2013
- Financial Outturn report for 2013-14 to Cabinet 30 June 2014

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**Sign off:**

Fin	mc141 5.44	Leg/ Dem& Gov	DVS/2 1167	HR	n/a	Corp Prop	n/a	IT	n/a	Strat Proc	n/a
Originating SMT Member: Malcolm Coe											
Has the Cabinet Member(s) agreed the content of the report? Yes											

## Annual Report on Treasury Management Activities for 2013/14

### I. Introduction

- I.1 Treasury Management (TM) in Local Government is underpinned by the CIPFA Code of Practice on Treasury Management in the Public Services (The Code) and in this context is *“the management of the Council’s investments and cash flows, its banking, money market and its capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks”*.
- I.2 As a Council, we are required to set an annual TM Strategy and formally report our activities to Full Council, as a minimum, twice each year.
- I.3 This report outlines the TM activities in 2013/14, providing information on progress and outcomes against the approved strategy, and builds on the mid year report presented to Audit Committee on 12<sup>th</sup> December 2013 and Full Council on 25<sup>th</sup> February 2014.
- I.4 The responsibility for implementing and monitoring our Treasury Management Policies and Practices, and for the execution and administration of treasury management decisions, is delegated by the Council to the Section 151 (S151) Officer – the Assistant Director for Finance. All activities are overseen by a Strategic Treasury Management Board consisting of the S151 Officer, the Deputy S151 Officer (the Head of Corporate Strategy), the Cabinet Member for Finance plus the Shadow Member for Finance.
- I.5 The day to day operation of the Treasury Management activity is carried out in accordance with detailed Treasury Management Practices (TMPs). These are required to be updated annually; the 2013/14 practices were approved by Audit Committee at its meeting of 26th June 2014.
- I.6 The Council works closely with its independent Treasury Management advisers Arlingclose who assist the Council in formulating views on interest rates when determining the Treasury Management Strategy, providing regular updates on economic conditions and interest rate expectations and advice on specific borrowing and investment decisions.

### 2. The Council’s Strategy for 2013/14

- 2.1 The Council’s Treasury Management Strategy was approved by Full Council on 25 February 2013. As an overriding principle, the strategy proposed that the Council would 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.
- 2.2 The borrowing strategy was to be based on affordability and subject to credit conditions throughout the year. In adverse credit conditions the strategy was to use internal balances to cover any borrowing requirement, enabling the Authority to minimise borrowing costs and reduce overall counterparty and credit risk by reducing the level of external investment balances. In improved credit conditions the Director for Corporate Services would consider externalising borrowing using short-term or long-term loans as part of a balanced maturity profile within the approved Prudential Indicators.

## Review of the Council's Performance 2013/14

### 3. Treasury Portfolio

3.1 Table I shows the Council's overall Treasury Portfolio at the end of 2013/14 compared to 2012/13.

Table I

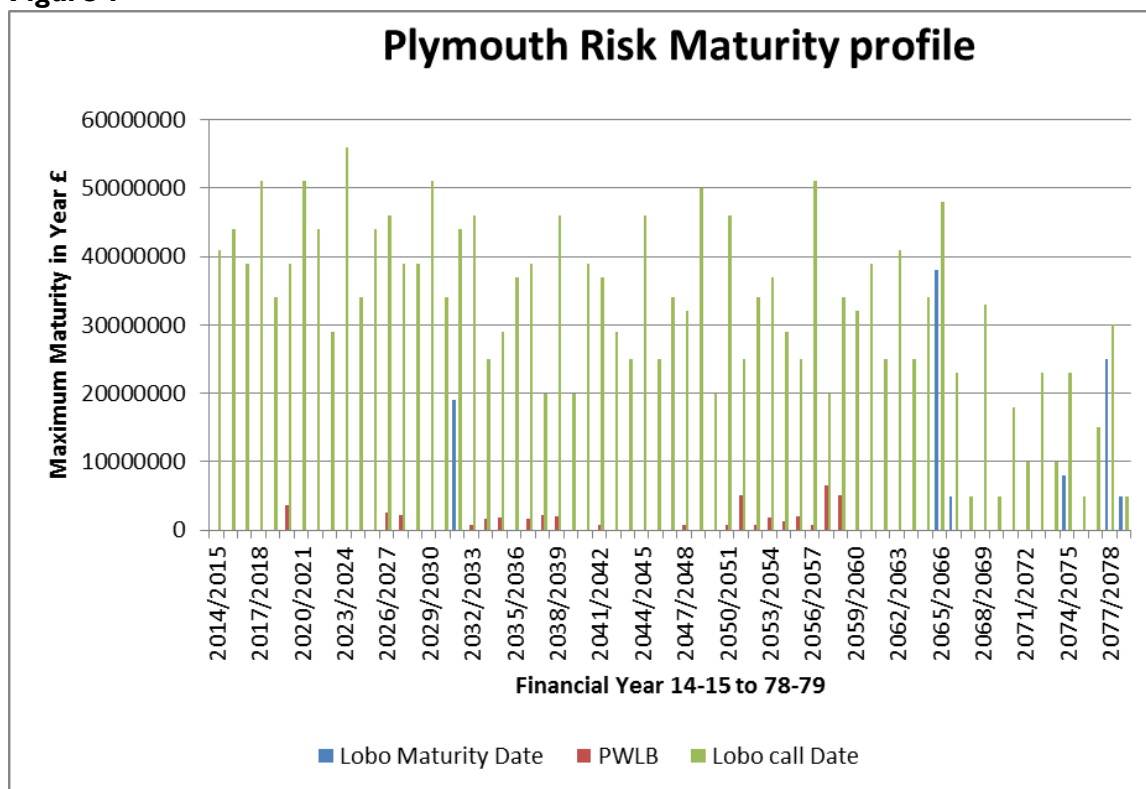
31/3/2013 £m	Average Interest rate %		31/3/2014 £m	Average Interest rate %
61.315	5.4001	External Borrowing Long-term:		
130.000	4.4202	PWLB	44.252	5.7925
0.087	1.0007	Market	100.000	4.3813
34.800	0.2809	Bonds	0.087	0.6582
		Temporary Borrowing	80.800	0.2969
<b>226.202</b>	<b>4.0477</b>	<b>Total PCC Borrowing</b>	<b>225.139</b>	<b>3.1855</b>
		Long-term liabilities		
30.246	8.7300	PFI Schemes	29.440	8.7300
2.189	n/a	Finance leases	1.937	n/a
9.156	n/a	Tamar Bridge & Torpoint Ferry	8.889	n/a
<b>41.591</b>		<b>Total Long term Liabilities</b>	<b>40.266</b>	
<b>267.793</b>		<b>Total External Debt</b>	<b>265.405</b>	
		Investments:		
(77.374)	0.8889	Deposits	(70.812)	0.7017
(5.000)	Variable	Property Fund	(7.500)	Variable
		Other external Funds	(5.025)	Variable
<b>(82.374)</b>		<b>Total Investments</b>	<b>(83.337)</b>	
<b>185.419</b>		<b>Net Borrowing/(Net Investment) Position</b>	<b>182.068</b>	

3.2 The total external debt as shown above includes long-term liabilities in respect of PFI schemes or finance leases. These liabilities are seen as a credit arrangement thus increasing the Council's total debt and must be taken into account within the statutory borrowing limits. The Tamar Bridge & Torpoint Ferry balance relates to 50% of the debt on the Joint Committee balance sheet.

### 4. Borrowing

4.1 Figure I below shows the maturity profile of the long-term debt for the Council as at 31 March 2014.

Figure I



- 4.2 The debt portfolio includes £100m of LOBO (market) loans, shown above in green. LOBO loans
- have various option call dates where the banks have the ability to amend the loan terms;
  - at which point the Council could choose to repay the loan if the terms are changed adversely.
- 4.3 During the year £44m of LOBO loans entered the period where they could have been called, but options were not exercised by the relevant banks.
- 4.4 However, LOBOs are expensive, and there is inherent risk of the banks amending the loan terms. During 2013/14 the Council was approached by one of the main lenders, Barclays Bank, who wished to explore the possibility of cancelling the arrangements on £30m of LOBO.
- 4.5 After lengthy discussions and negotiations, and to reduce our exposure to risk, plus the strategy to reduce the cost of our overall borrowing, we entered into a contract with Barclays.
- 4.6 Under the terms of the buy-out, Barclays Bank agreed to waive their profit element. We further negotiated a significant reduction in the premium attached.
- 4.7 The full year revenue saving impact from the discharge of the £30m of LOBO loans is just under £1m.
- 4.8 Under Section 3 of the Local Government Act 2003 and supporting regulations the Council must determine and keep under review how much it can afford to borrow. The Council is required to set two limits:



4.12 The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31 March 2014 was estimated at £264.753m (including PFI, finance leases and Tamar Bridge & Torpoint Ferry debt).

4.13 New borrowing in year

The use of short-term borrowing has been the most cost effective means of financing capital expenditure and cashflow requirements. Matching short-term borrowing with the availability of liquid deposits held in bank call accounts lowered overall treasury risk by allowing flexibility to reduce debt and investment levels at short notice should credit conditions deteriorate during the year.

At the start of the year the Council had £34.8m of short-term loans. These are generally taken for periods of one to three months and repaid and replenished with new loans, subject to availability and favourable rates, during the year. At the end of the year the Council had £80.8m of short-term loans.

The average period of new loans taken in the year was for 53.25 days at an average interest rate of 0.2854%. This is below the bank base rate. Short-term loans are generally taken from other local authorities.

4.14 Debt Repayment/Rescheduling

Following consultation with the Council's Treasury Management advisers, Arlingclose, and discussions with Council officers and Members, the opportunity was taken to repay some longer-term debt to improve the balance of the Council's debt maturity profile and to achieve revenue savings.

£17.063m of PWLB debt was repaid on 21<sup>st</sup> October 2013. The remaining maturity period on this debt ranged from 49 to 53 years at rates between 4.39% and 4.55%.

£30m of market debt was repaid on 19<sup>th</sup> March 2014. This was Lobo debt at a rate of 4.55% with a maximum maturity period of 63 years. These loans were replaced by a mix of short-term borrowing at rates below 0.3% and running down investments in call accounts paying 0.4%. The maturity profile of the Council's debt will be reviewed with short-term debt replaced with longer-dated maturities at the appropriate time to minimise cost over the short and longer term.

4.15 Overall Debt Performance for the year

The average interest rate on the Council's borrowing has decreased over the course of the year from 4.04778% to 3.1855%. This rate reflects the position at the end of each financial year (i.e. 31 March 2013 and 2014). The reduction in rates is due to the increase in low rate short-term loans taken in periods maturing beyond the year end. Loan transactions were taken at various times throughout the year at various rates and, taking all transactions in the year, the overall average borrowing rate for 2013/14 was 3.8517% compared with a rate of 4.2079% for 2012/13. This increase is a result of a much higher average of

short-term borrowing taken in 2013-14 compared to 2012-13 and the repayment of long-term debt outlined in 5.9.

## 5. Investments

5.1 Figure 2 below shows the actual split of deposits by country/sector as 31 March 2014. Table 4 provides more detail on the actual deposits by counterparty group.

Figure 2

**PCC DEPOSITS BY COUNTRY/SECTOR at 31st March 2014**  
**£83,337,461.58**

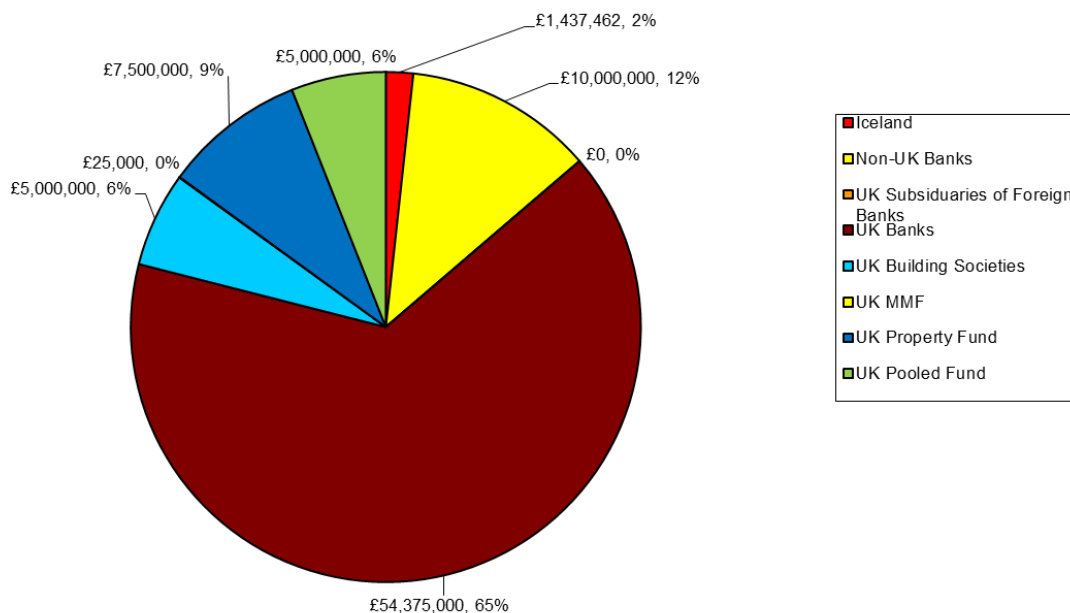


Table 4

Group	Bank/Institution	Total deposits £m
Lloyds Banking Group	Bank of Scotland	10.000
	Lloyds TSB	10.000
Barclays Banking Group	Barclays	14.375
Svenska Handelsbanken Group	Svenska Handelsbanken	10.000
HSBC Group	HSBC	15.000
Nationwide Building Society	Nationwide Building Society	5.000
Close Brothers	Close Brothers	5.000
Icelandic deposits	Heritable Bank	0.179
	Islandsbanki (Escrow ex Glitnir)	1.258
<b>Total Deposits @ 31 March 2014</b>		<b>70.812</b>
Pooled Investment:	CCLA Lamit Property Fund	7.500
	CCLA Public Sector Deposit Fund	0.025
	Ignis Sterling Short Duration Cash Fund	1.000
	Federated Prime Rate Cash Plus Fund	1.000
	Investec Short Bond Fund	1.000
	Investec Target Return Fund	1.000
	Payden & Rygel Sterling Reserve Fund	1.000
<b>Total Investments @ 31 March 2014</b>		<b>83.337</b>



5.2 The movement in the investment portfolio during the year was as follows:

**Table 5 Movement in Investment Portfolio**

Investments	Balance on 31/3/13 £000	Investments Made £000	Maturities/ £000	Balance on 31/03/14 £000	Avg Rate % / Avg Weighted Life to maturity (days)
Short-term Investments (less than 1 year)	77,374	716,651	(723,188)	70,837	0.78/ 115 days
Long-term Investments (over 1 year)	0	0		0	
Pooled Funds	5,000	7,500		12,500	Variable
<b>Total Investments</b>	<b>82,374</b>	<b>724,151</b>	<b>(723,188)</b>	<b>83,337</b>	

5.3 The majority of the short-term deposits were held in call or short-term notice accounts. In line with the Council's approved investment strategy for 2013/14 the following longer term deposits were taken in the year:

Amount	Start Date	End Date	Term (days)	Rate %
£5.0m	21/05/13	21/11/13	184	0.80
£5.0m	17/03/14	16/03/15	364	0.82
£5.0m	17/03/14	17/09/14	184	0.70
£5.0m	27/03/14	26/03/15	364	0.95
£5.0m	27/03/14	24/12/14	272	0.80

5.4 The above deposits were taken at rates close to or above the bank base rate and help increased the return on investments in 2013/14. The maximum approved term for new deposits in 2013/14 was 1 year.

5.5 In line with the Council's approved strategy, to diversify investment away from purely cash deposits, a further £2.5m investment was made in the CCLA Limit Property Fund on 31 March 2013 increasing the total sum invested to £7.5m. This is a pooled investment fund meeting the criteria in SI 2004 No 534 and subsequent amendments. This is an available for sale investment that can be sold if required. However this is seen as a long-term investment to generate additional income and realise a capital gain for the Council. In 2013-14 this fund produced a return of 5.668% and capital growth of £0.313m.

Further diversification was achieved, during the year, by investing £1m in each of 5 externally managed funds. These are also pooled investments meeting the criteria in SI 2004 No 534 and subsequent amendments as approved in the Council's strategy. These are seen as an alternative to bank call accounts producing an additional return by utilising a range of securities whilst still enabling withdrawals at between 1 and 4 days' notice. The average return achieved in 2013-14 was 0.75%.

5.6 Managing Investment Risk

5.6.1 The Guidance on Local Government Investments in England gives priority to security and liquidity of investments and the Council's aim is to achieve a yield commensurate with these principles.

5.6.2 Security

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 2013/14.

Investments made during the year were restricted to:

- Deposits with the Debt Management Office.
- Call Accounts and deposits with UK Banks and Building Societies systemically important to the UK banking system.
- Pooled funds (collective investment schemes) meeting the criteria in SI 2004 No 534 and subsequent amendments.

5.7 Credit Risk

5.7.1 Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swaps; GDP of the country in which the institutions operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price. The minimum long-term counterparty rating determined for the 2013-14 treasury strategy was A-/A-/A3 across rating agencies Fitch, S&P and Moody's.

5.7.2 Credit conditions remained stable throughout the year. The main issue restricting maturity and counterparty limits was the prospect of the withdrawal of government support to bail out failing banks. The main impact of this was on the credit rating of RBS. Back in July Moody's placed the bank on review for downgrade. At this time new deposits were limited to overnight/call and notice was given on the Council's 30 and 95 day notice accounts. Following completion of the review in March the long-term rating for RBS was cut to BBB+. This was below the minimum A- required and therefore all funds were withdrawn and the RBS group (RBs and NatWest) were suspended from the Councils list of approved counterparties for investments.

5.8 Credit Score Analysis

5.8.1 The Council's treasury advisers, Arlingclose, have developed a matrix to score the credit risk of an authority's investment portfolio. The matrix allocates a numerical score based on the credit rating of an institution, with an AAA rated institution scoring 1 and a D rated institution scoring 15. This is then weighted to reflect both the size of the deposit and the maturity term of the deposit. The aim is to achieve an overall score of 7 or lower on both weighted averages to reflect an investment approach based on security: the lower the score the better the security of the deposit.

5.8.2 Table 6 shows the rating currently attached to the Council's portfolio and its movement during the year using this matrix.

**Table 6 Credit Risk Matrix**

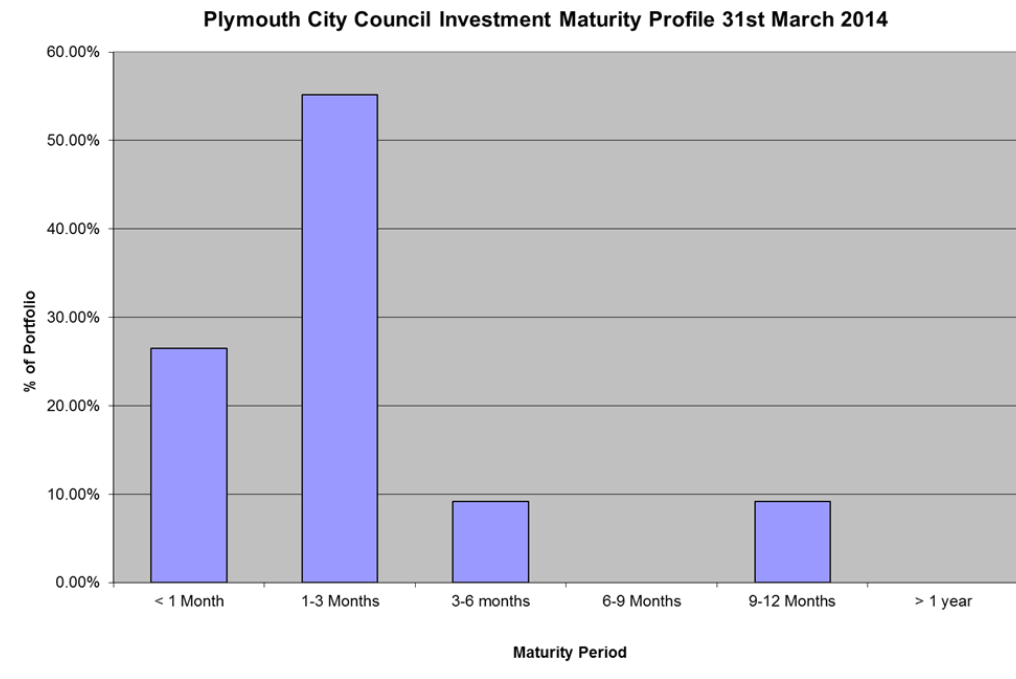
Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2013	6.00	A	6.25	A
30/06/2013	6.12	A	6.16	A
30/09/2013	5.73	A	4.67	A+
31/12/2013	5.23	A+	5.01	A+
31/03/2014	5.32	A+	5.73	A

Note: These scores exclude any deposits with Icelandic banks.

Based on the scoring methodology, the Council’s counterparty credit quality has increased over the course of the year. This is in the main due to credit ratings remaining stable over the year with restrictions in deposits with the lower rate banks (RBS) and increasing deposits with higher rated banks such as HSBC and the Swedish Bank Svenska Handelsbanken. This has resulted in a credit risk score well with the 7 score set in the Council’s Treasury Management Strategy for 2013-14. Council officers are currently looking at opportunities to invest in some other highly rated banks, as part of the strategy to diversify investments, using certificates of deposit and AAA rated securities to further reduce the credit score of the Council’s investment portfolio.

5.9 Liquidity

**Figure 3**



5.9.1 In keeping with the CLG’s guidance on investments, the Council’s maintained a sufficient level of liquidity through the use of overnight deposits and the use of call accounts.

5.9.2 The maturity profile of the Councils deposits is represented in Figure 3. This shows a large proportion of deposits maturing in less than three month, reflecting the deposits in call and notice accounts giving the liquidity to cover cash flow requirements.

5.10 Yield- Investment performance for the year

5.10.1 The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate was maintained at 0.5% through the year.

5.10.2 Investments were made short-term to cover cashflow and liquidity requirements and longer-term to maximise and guarantee future income. Excluding the longer-term investments covered in 5.5 during 2013/14 the Council deposited funds for a range of periods from overnight to 12 months, dependent on the Council's cash flows, officers' interest rate view, the interest rates on offer and the economic climate/credit risk.

5.10.3 The Council's treasury management officers work to a benchmark rate of return, the 7 day London Interbank Bid (LIBID) rate – which is the rate which can be achieved on the London interbank market for cash deposits of 7 days and is regarded as the standard benchmark. The 7 day rate is calculated on a daily basis and averaged for the year. Table 7 below compares the average return achieved by the in-house team with the benchmark. An average rate of 0.7753% was achieved for new investments in the year against a target of 0.8%.

A major impact on deposit returns in 2013-14 was the Funding for Lending Scheme (FFLS) implemented by the Bank of England to provide cheaper funding to Banks and Building Societies to be passed on through mortgages and loans. This resulted in reductions in deposit rates available to the Council.

**Table 7**

	Weighted Average Investment	Benchmark Rate %	Actual Return %
Internally Managed:	£101.653m	0.35	0.7753

The table shows that the internal performance exceeded the benchmark for the year, despite the impact of FFLS.

5.11 Breach of Counterpart Limit with Santander UK Plc

5.11.1 Council officers work within approved counterpart limits. This was set at a maximum of £30m for approved UK banks and building societies, included on the council's lending list, meeting the credit criteria set out in 5.7.1.

An error occurred on 18 November 2014 when all records were updated to show a deposit to the council's Santander Call account of £5.565m. A payment sheet was prepared for this Santander deposit and passed to an officer for payment. When this was input on the Council's online banking system the

wrong bank was selected. On authorisation by a Group Accountant this error was not picked up and the funds were deposited with RBS.

This led to a balance in our RBS call account of £5.625m more than recorded on the cashflow, dealing record and reconciliation sheets. Due to this error the balance in the RBS account reached £35.415m. This was picked up on 20 November, the Section 151 Officer and Internal Audit were informed, and an immediate withdrawal made to bring the account balance back below £30m.

5.11.2 All the records in relation to these deposits were correct and the error was due to problems with the input and authorisation process. Officers have been informed of their importance in this process and the need to check all payments thoroughly.

## 5.12 Benchmarking

5.12.1 As outlined above, Arlingclose have developed a set of benchmarking criteria to enable comparisons on investment performance to be made on data provided by all their clients.

To ensure a like with like comparison, the graphs compare our investment performance with other unitary authorities. This is based on data provided to 31 March 2014. The results of the benchmarking are discussed at regular Strategic Treasury Management meetings with our advisers. The benchmarking has to be taken in the context of risk appetite and the legacy investments that the Council has in its portfolio.

The graphs used for comparison attached as **Appendix I** to this report are:

1. Average rate of investments against average maturity period
2. Average rate of investments against value weighted average credit risk score
3. Average rate of investments against time weighted average credit risk score

## 6. **Icelandic Banks Update**

6.1 The latest position on the recoveries of monies invested in the Icelandic banks is as follows:

Bank	Original Deposit £m	Comment	Balance March 2014 £m
Heritable Bank	3.000	dividends 16.74p in the £ in 2013/14 94.02% recovered	0.189
Glitnir	6.000	79.15% recovered (see 6.6 below)	1.328
Lansbanki	4.000	dividends 5.03p in the £ in 2013/14 - 52.22% recovered; made decision to sell the remainder of the outstanding claim, This resulted in an additional receipt of £1.645m	0.000
<b>Total</b>	<b>13.000</b>		<b>1.517</b>

## 6.6 Further recoveries

The Council currently has approximately £1.2m in Icelandic Krona (ISK) remaining in Escrow in Iceland from the Glitnir Bank settlement. 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 i.e. British Pounds.

## 7. **Revenue Implications of Treasury Management**

7.1 The expenditure arising from the Council's borrowing and lending accrues to the revenue accounts. This includes interest payable and receivable, the minimum revenue provision (for debt repayment) and premiums and discounts written out to revenue from previous debt rescheduling. Some of the interest receivable is passed onto specific accounts where this interest has accrued from the investment of surplus balances for these services. The balance (net cost) is met by the General Fund. Table 8 below shows the income and expenditure arising from these transactions in 2013/14.

7.2 The net cost of capital financing to the General Fund in 2013/14 reduced by £0.658m from the 2013/14 budget due to a reduction in MRP of £0.541m, reduced treasury management costs of £0.738m and other cost increases of £0.621m. The MRP is a statutory charge to revenue based on the Council's capital expenditure financed from borrowing. The reduction is due to a review and reallocation of the financing of capital expenditure. The reduction in treasury management costs is due to the repayment of long-term loans and the use of low rate short-term borrowing, as an alternative to the use of long-term borrowing or internal balances, to fund capital expenditure.

### **Summary of Capital Financing Costs 2013/14**

**Table 8**

	<b>2013/14 Budget £000</b>	<b>2013/14 Outturn £000</b>	<b>Variance £000</b>
External interest payments	9,610	8,820	(790)
External interest received	(1,133)	(1,207)	(74)
Interest transferred to other accounts	15	80	65
Premiums / Discounts written out to Revenue	(189)	(141)	48
Debt Management Expenses	126	139	13
<b>Treasury Management Cost</b>	<b>8,429</b>	<b>7,691</b>	<b>(738)</b>
Minimum Revenue Provision	8,101	7,560	(541)
Recharges for unsupported borrowing	(4,267)	(3,660)	607
Recovered from trading Accounts	(2,805)	(2,791)	14
<b>Net Cost to General Fund</b>	<b>9,458</b>	<b>8,800</b>	<b>(658)</b>

## **8. Compliance with Prudential Indicators**

Under the arrangements set out in the Prudential Code for Capital Finance in Local Authorities, individual authorities are responsible for deciding the level of their affordable borrowing, having regard to the Code, and for establishing a range of Prudential Indicators covering borrowing limits and other treasury management measures.

The compliance of borrowing within the Authorised Limit and Operational Boundary is confirmed in section 4.5 of this report. The Prudential Indicators for 2013/14 were approved by Council on 25 February 2013 and updated on 24 February 2014 as part of the approved Treasury Management Strategy for 2014/15. The performance against these approved indicators is set out in **Appendix 2**.

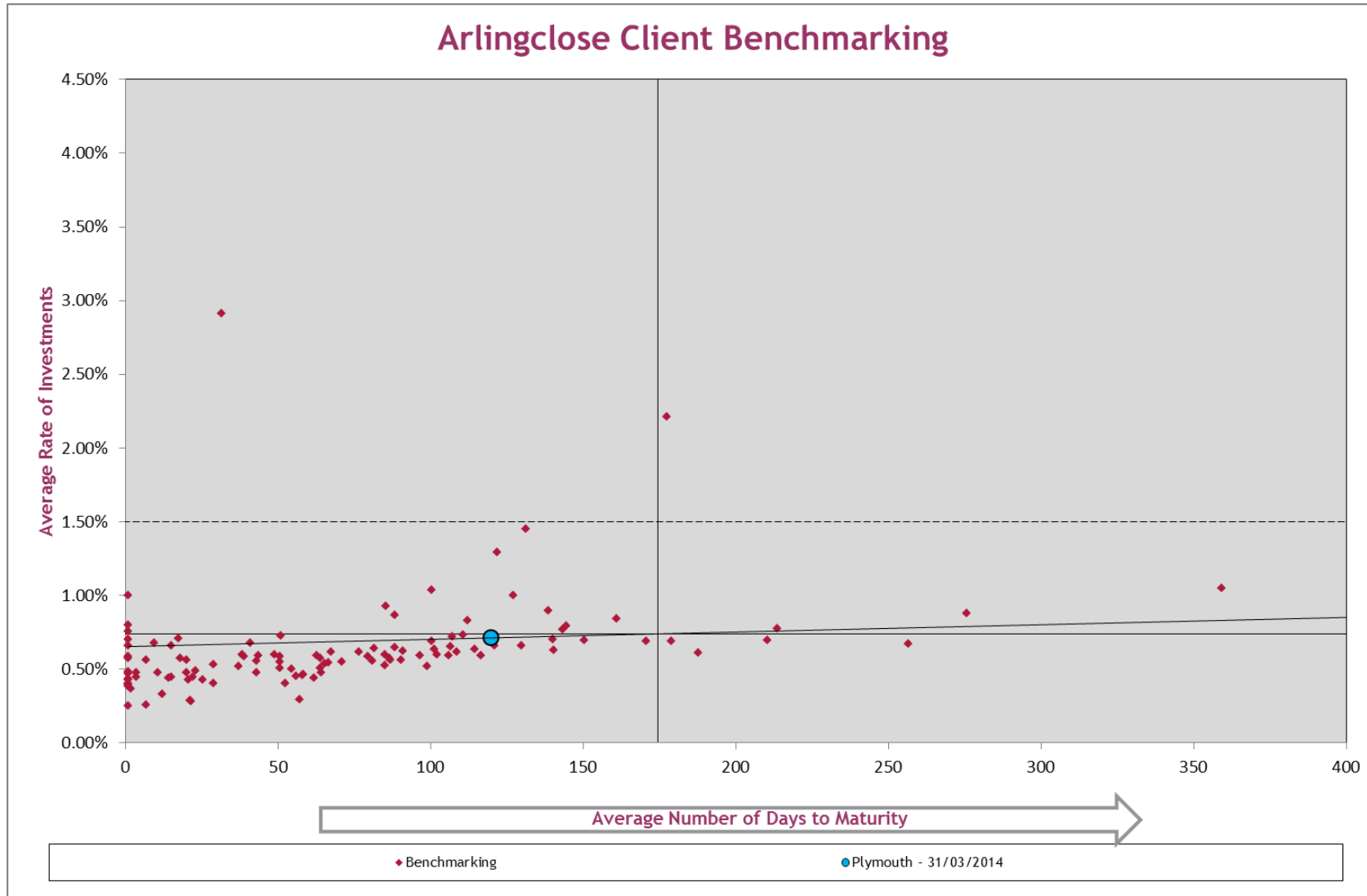
## **9. External Service Providers**

- 9.1 Arlingclose is appointed as the Council's treasury management adviser. The Council is clear as to the services it expects and is provided under the contract. The service provision is comprehensively documented. The Council paid a sum of £24,000 in 2013/14 for this service. The contract with Arlingclose ends on 31 December 2014. Officers are currently in the process of retendering for this service. Officers will update on the out-come of this process in a future report.
- 9.2 The Council is also clear that overall responsibility for Treasury Management remains with the Council.

## **10. Training**

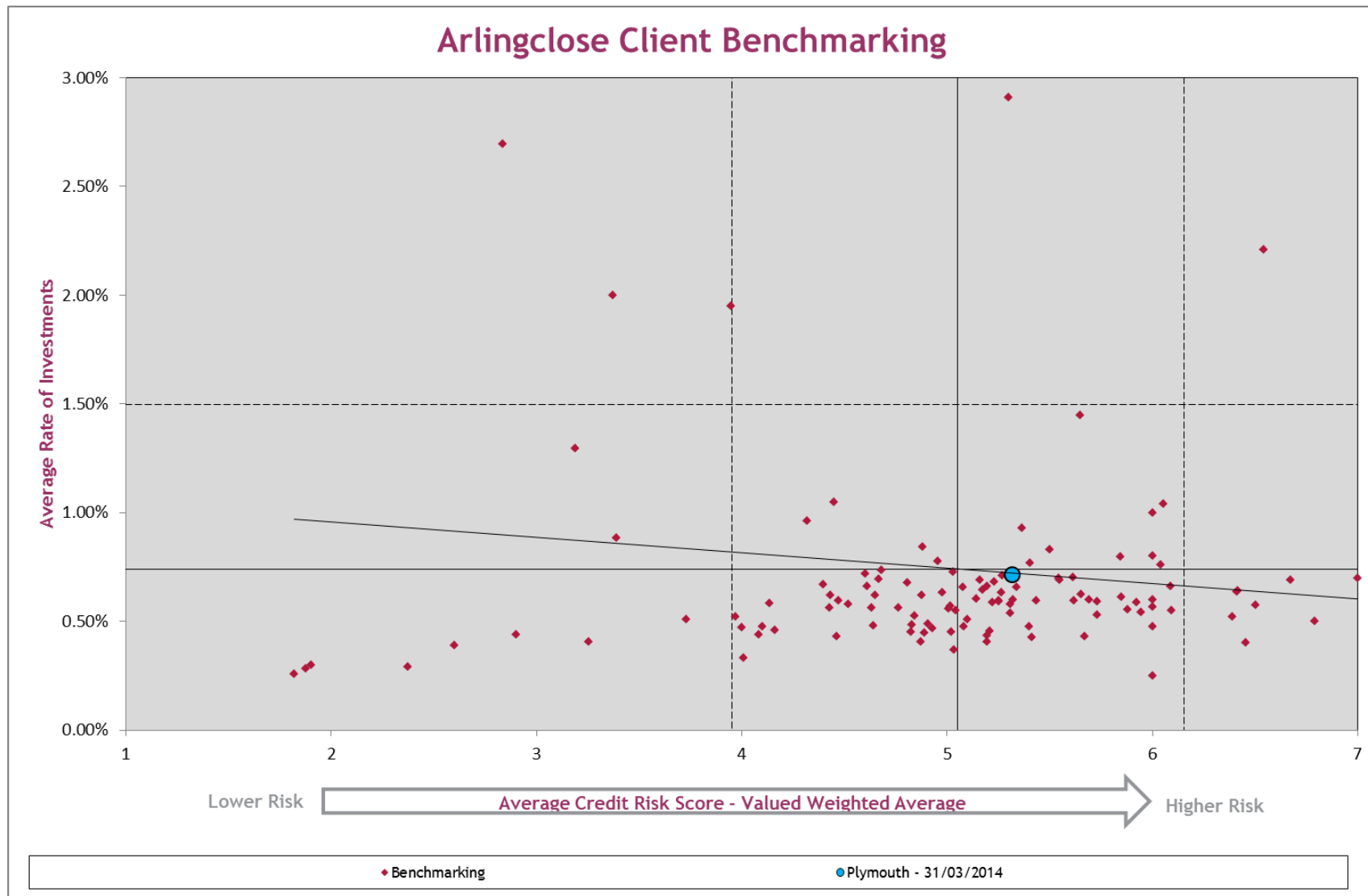
- 10.1 CIPFA's revised Code requires the Section 151 Officer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.
- 10.2 The CLG's revised investment guidance also recommends that a process is adopted for reviewing and addressing the needs of the authority's treasury management staff for training in investment management.
- 10.3 The Council continues to keep its training requirement under review.

# Appendix A Investment Benchmarking March 2014 – Average Rate of Return v Maturity

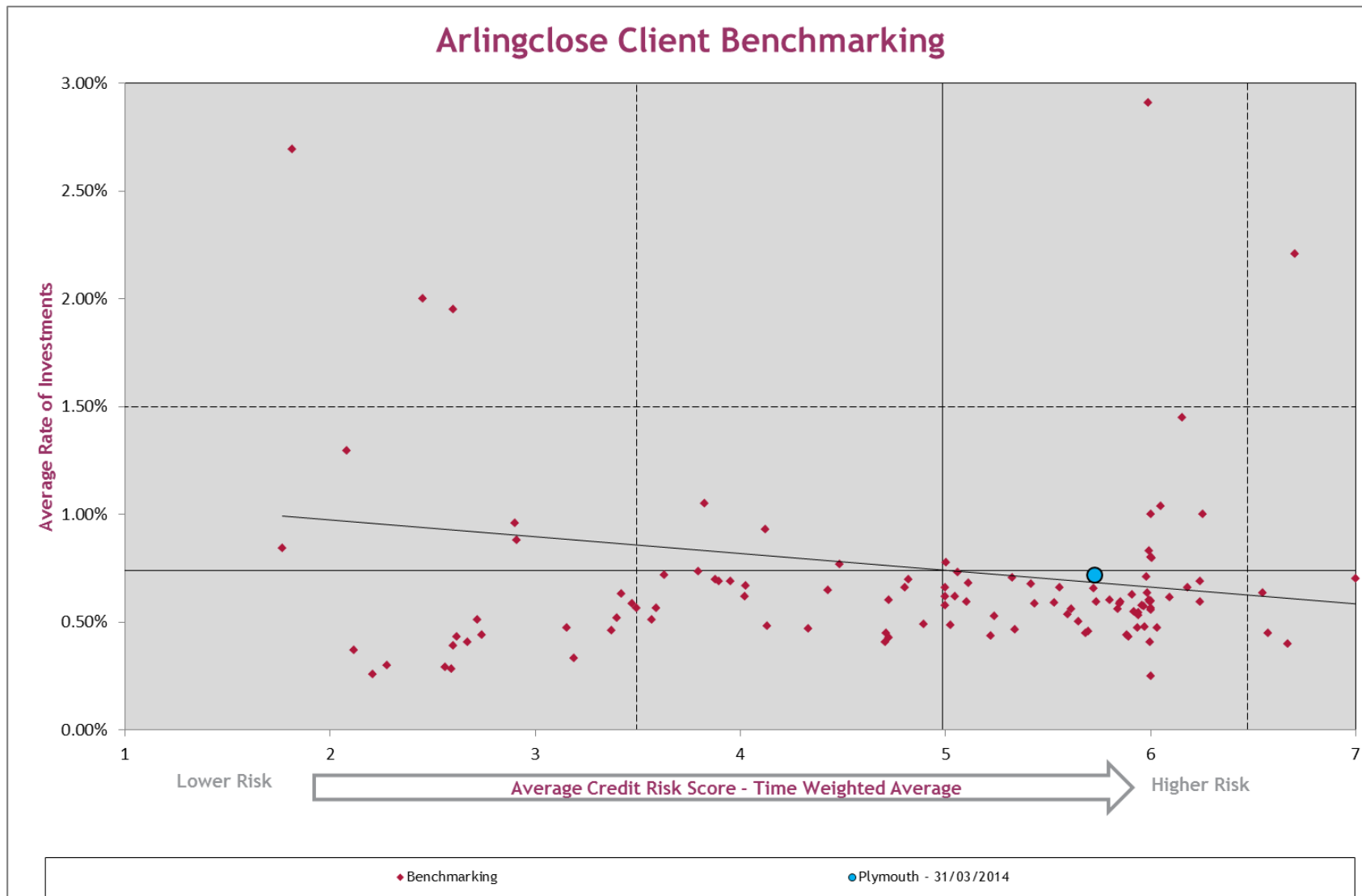




# Appendix A Investment Benchmarking March 2014 – Average Rate of Return v Credit Risk



# Appendix A Investment Benchmarking March 2014 – Average Rate of Return v Credit Risk Time Weighted



### Prudential Indicator Compliance

#### 1. Upper Limit for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	<b>Limits for 2013/14 %</b>	<b>Maximum during 2013-14 %</b>
<b>Upper Limit for Fixed Interest Rate Exposure</b>	200	193.11
Compliance with Limits:		Yes
<b>Upper Limit for Variable Interest Rate Exposure</b>	50	26.16
Compliance with Limits		Yes

#### 2. Maturity Structure of Fixed Rate Borrowing

- This indicator is to limit large concentration of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

<b>Maturity Structure of Fixed Rate borrowing</b>	<b>Upper Limit %</b>	<b>Lower Limit %</b>	<b>Actual Fixed Rate Borrowing in 2013/14</b>		<b>Compliance with Set Limits?</b>
			<b>High %</b>	<b>Low %</b>	
under 12 months	40	0	30.45	7.88	Yes
12 months and within 24 months	60	0	50.48	30.48	Yes
24 months and within 5 years	40	0	22.99	8.60	Yes
5 years and within 10 years	25	0	4.56	1.94	Yes
10 years and within 20 years	25	0	4.04	2.86	Yes
20 years and within 30 years	25	0	6.88	5.19	Yes
30 years and within 40 years	30	0	7.44	4.67	Yes
40 years and within 50 years	35	0	17.18	9.36	Yes
50 years and above	25	0	0		Yes

The maturity profile of fixed rate borrowing allows for the maturity of Lobo loans to the earliest date on which the lender can require payment, i.e. the next call date.

#### 3. Actual External Debt

- This indicator is obtained directly from the Authority's balance sheet. It is the closing balance for actual gross borrowing (short and long-term) plus other deferred liabilities.

<b>Actual External Debt as at 31/03/2014</b>	£m
Borrowing	225.139
Other Long-term liabilities	40.266
<b>Total</b>	<b>265.405</b>

#### 4. Capital Expenditure

- This indicator is set to ensure the level of proposed capital expenditure remains within sustainable limits, and, in particular, to consider the impact on Council Tax.

<b>Capital Expenditure</b>	<b>2013/14 Approved £m</b>	<b>2013/14 Revised £m</b>	<b>2013/14 Actual £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>
<b>Total</b>	<b>68.922</b>	<b>57.576</b>	<b>47.217</b>	<b>79.266</b>	<b>48.575</b>

Capital expenditure has been and is forecast to be financed or funded as follows:

<b>Capital Financing</b>	<b>2013/14 Approved £m</b>	<b>2013/14 Revised £m</b>	<b>2013/14 Actuals £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>
Capital Receipts	6.454	2.806	<b>3.114</b>	10.957	8.861
Grants and Contributions	44.264	40.019	<b>35.130</b>	44.463	25.890
Section 106/Tariff	0.750	1.091	<b>0.539</b>	10.182	4.650
Revenue/Fund	2.936	3.416	<b>3.889</b>	2.500	0.750
<b>Total Financing</b>	<b>54.404</b>	<b>47.332</b>	<b>42.672</b>	<b>68.102</b>	<b>40.151</b>
Borrowing:					
Supported Borrowing					
Unsupported Borrowing	14.518	10.244	<b>4.545</b>	11.164	8.424
<b>Total Funding</b>	<b>14.518</b>	<b>10.244</b>	<b>4.545</b>	<b>11.164</b>	<b>8.424</b>
<b>Total Financing and Funding</b>	<b>68.922</b>	<b>57.576</b>	<b>47.217</b>	<b>79.266</b>	<b>48.575</b>

The table shows the capital expenditure plans of the Authority could not be funded entirely from sources other than external borrowing.

#### 5. Ratio of Financing Costs to Net Revenue Stream

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

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2013/14 Approved %</b>	<b>2013/14 Revised %</b>	<b>2013/14 Actual %</b>	<b>2014/15 Estimate %</b>	<b>2015/16 Estimate %</b>
	7.78	7.26	7.17	7.47	7.88

## 6. Incremental Impact of Capital Investment Decisions

- This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is calculated comparing the revenue budget requirements of the current capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2013/14 Approved £m</b>	<b>2013/14 Revised £m</b>	<b>2013/14 Actual £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>
Increase in Band D Council Tax	1.17	0.83	0.17	4.81	13.90

## 7. Upper Limit for Total Principal Sums Invested Over 364 Days

<b>Upper Limit for total principal sums invested over 364 days</b>	<b>2013/14 Approved £m</b>	<b>2013/14 Revised £m</b>	<b>2013/14 Actual £m</b>	<b>2014/15 Estimate £m</b>	<b>2015/16 Estimate £m</b>
	30	30	12.5	40	40

The Council's investment policy for 2013/14 was to keep deposit maturities to a maximum of 12 months. No deposits were made beyond 364 days. As stated in section 6.5 of this report a further £2.5m was invested in a Property fund, bringing the total investment to £7.5m, and £5m was invested in 5 externally managed funds. All these investments were viewed as long-term and will be held for periods beyond 364 days in order to diversify the Council's investment portfolio and achieve additional returns.

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**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Internal Audit – Progress Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	September 2014
<b>Cabinet Member:</b>	Councillor Lowry
<b>CMT Member:</b>	Malcolm Coe, (Assistant Director FETA)
<b>Author:</b>	Robert Hutchins, Head of Devon Audit Partnership
<b>Contact details:</b>	Tel: (01752 (30) 6710 e-mail: robert.hutchins@devonaudit.gov.uk
<b>Ref:</b>	AUD/RH
<b>Key Decision:</b>	No
<b>Part:</b>	I

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**Purpose of the report:**

This report provides Members of the Audit Committee with a position statement on the audit work carried out since April 2014 and based on work performed to date during 2014/15, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

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**The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:**

The work of the internal audit service assists the Council 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.

The delivery of the Internal Audit Plan assists all directorates in delivering outcomes from the Corporate Plan:-

- Pioneering Plymouth – by ensuring that resources are used wisely and that services delivered meet or exceed customer expectations;
- Confident Plymouth - the Government and other agencies have confidence in the Council and partners.

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

None.

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

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

**Equality and Diversity:**

Has an Equality Impact Assessment been undertaken? Yes/No

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**Recommendations and Reasons for recommended action:**

It is recommended that:-

- I. The report be noted.
- 

**Alternative options considered and rejected:**

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

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**Published work / information:**

Internal Audit Annual Plan 2014/15 – June 2014

**Background papers:**

None

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**Sign off:**

Fin		Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member													
Has the Cabinet Member(s) agreed the content of the report? Yes													



Internal Audit

# Internal Audit Progress Report 2014-15

Plymouth City Council  
Audit Committee

September 2014



Robert Hutchins  
Head of Audit Partnership

Auditing for achievement



## Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards (PSIAS) and other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk)

## Introduction

This report provides a summary of performance in the year up to 23 August 2013 against the internal audit plan for the 2014/15 financial year, highlighting the key areas of work undertaken and summarising our main findings and audit opinions. The key objectives of the Devon Audit Partnership (DAP) are to provide assurance to the Audit Committee, Section 151 Officer (Assistant Director for Finance) and senior management on the adequacy and security of the systems and controls operating within the Council and to provide advice and assurance to managers and staff.

The level of risk associated with each of the areas in Appendix A has been determined either from the Local Authorities Strategic / Operational Risk Register (LARR), or the Audit Needs Assessment (ANA). Where the audit was undertaken at the request of client, it has not been risk assessed. Assurance and recommendations should be considered in light of these risk levels and the impact this has on achievement of corporate / service goals.

## Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

## Review of Audit Coverage

Overall, good progress has been made against the plan agreed with management for the 2014/15 financial year. Progress in the period up to 21 August has included completion of work carried forward from 2013/14, undertaking follow up audits, and in completing assignments in accordance with timescales agreed with management.

A summary of Internal Audit's opinion on the individual reviews that have been carried out or concluded for the period from 1 April 2014 is included in Appendix A.

## Internal Audit Opinion

In carrying out systems and other reviews, Internal Audit assess 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.

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

Overall, and based on work performed to date during 2014/15, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

## Inherent Limitations

The opinions contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

## Acknowledgements

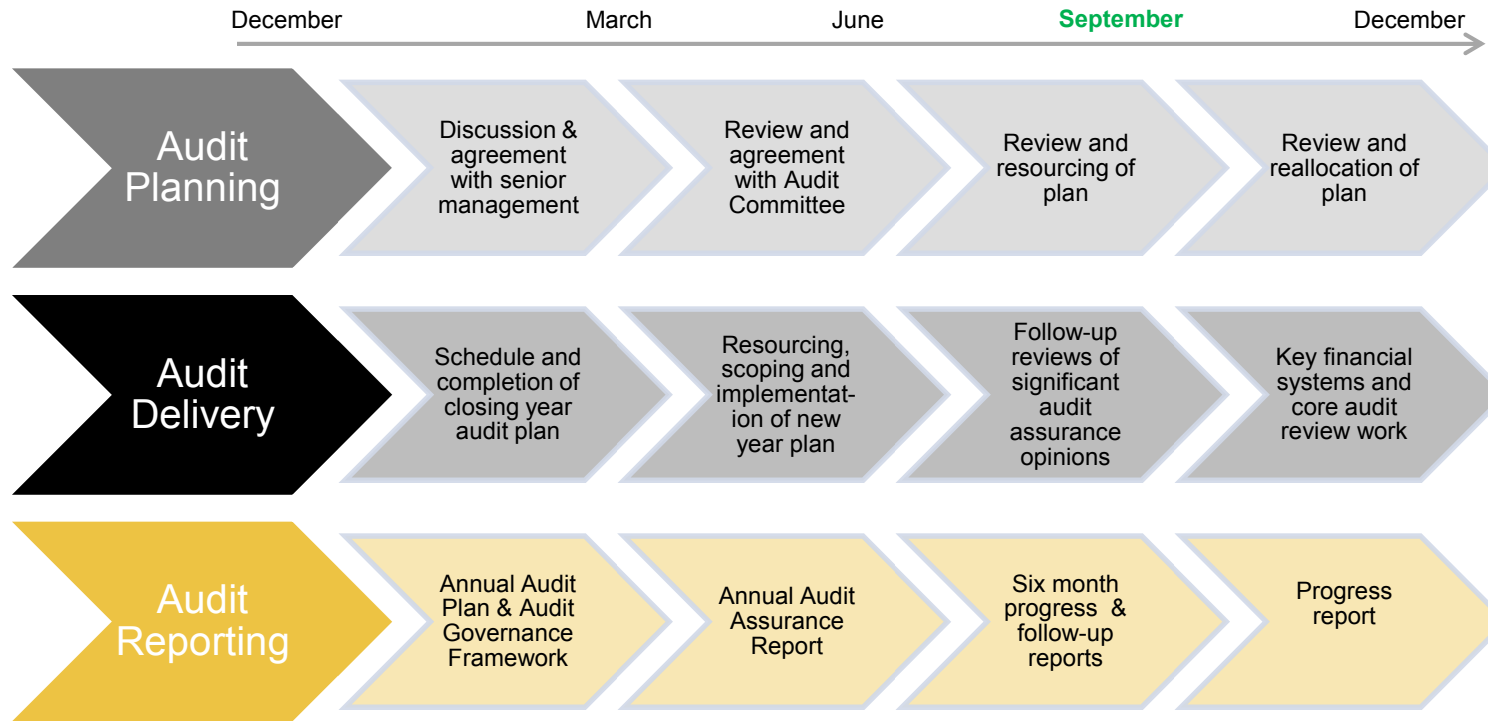
We would like to express our thanks and appreciation to all those who provided support and assistance during the course of the audits.

**Robert Hutchins**  
**Head of Audit Partnership**

## Recommendations

It is recommended that the report be noted.

## Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec / Jan 2013	Directorate planning meetings
March 2014	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year end field work completed
Apr / May 2014	Annual Performance reports written
June 2014	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous years audit work commences
Sept 2014	Follow-up and progress reports presented to Audit Committee
Dec 2014	Six month progress reports presented to Audit Committee
	2015 Internal Audit Plan preparation commences

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## Appendix 1 – Assurance Opinion and extract Executive Summaries – Up to 21 August 2014

### Risk Assessment Key

SRR – Local Authority Strategic Risk Register score Impact x Likelihood = Total and Level

ORR - Local Authority Operational Risk Register score Impact x Likelihood = Total and Level

ANA - Audit Needs Assessment risk level as agreed with Client Senior Management

Client Request – additional audit at request of Client Senior Management

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
<b>Transformation – Overall Programme</b>					
Programme Delivery	SRR – Red ANA - High	14/15			Independent monitoring and/or support of various projects within the Transformation Programme such as ASDVs and Category Management (see below).
<b>Transformation - Co-operative Centre of Operations (CCO)</b>					
Contract Management	SRR – Red ANA – High Client Request	14/15	In Progress		Audit are a member of the Contract Management Working Group and are offering our knowledge and experience to the Project Manager through support and challenge as the Group review and develop strategies and procedures.
Mobilisation of DELT	SRR – Red ANA - High	14/15	In Progress		DAP has had an ongoing role in identifying the key risks associated with the implementation of Delt services and for bringing these matters to the attention of the relevant officers in 'real-time' so that mitigating actions can be taken to protect the interests of the Council.
Alternative Service Delivery Vehicles (ASDVs)	Client Request	14/15	Complete		Auditors have used their knowledge and experience to assist the Project Team in the development of a toolkit that is now available to officers to use when considering different ways of delivering their service(s).

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Category Management	Client Request	14/15	In Progress		Audit has recently been invited to participate in workshops looking at the options available for the introduction of category management within the organisation, as part of the Commissioning and Procurement Project.
<b>Transformation – Customer &amp; Service</b>					
Revenues & Benefits Risks & Processes	Client Request	14/15	In Progress		Auditors are assisting the Project Team in identifying improvements to current front line and back office processes in advance of the move into the new customer services “shop” in New George Street.
<b>Transformation – Growth, Assets &amp; Municipal Enterprise (GAME)</b>					
<b>Transformation – Integrated Approach to Health &amp; Wellbeing</b>					
<b>Transformation – People &amp; Organisation Development</b>					
Decant of Civic Centre	SRR – Red ANA - High	14/15	In Progress		DAP has provided support and advice to the People & Organisation Development Programme Board and the two projects, covering Accommodation and Workforce Development, that report to it.
<p>Work will commence on the following areas within Transformation in the second half of 14/15.</p> <ul style="list-style-type: none"> <li>• Overall Programme – Benefits Realisation</li> <li>• Co-operative Centre of Operations - Asset Management (linked with GAME) - Significant Partnerships</li> <li>• Growth, Assets &amp; Municipal Enterprise (GAME) - Asset Management (linked with CCO) - Street Scene</li> <li>• Integrated Approach to Health &amp; Wellbeing - Adult Social Care / Health Integration - Alternative Service Delivery Models</li> </ul>					

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
<b>Major Infrastructure &amp; Investment Projects</b>					
Waste PFI	SRR – Green ANA - High	14/15	In Progress		DAP's long association with this project continues. We have been providing the recently appointed Contract Manager with support and challenge on the contract management arrangements as well as participating in discussions on how the Financial Allocation Mechanism (FAM) will operate in practice.
History Centre (Record Office)	ORR – Amber ANA - High	14/15	In Progress		Following the announcement that the Project has been successful in its first round bid for Heritage Lottery Funding, the project is now entering its next phase, Development, with six workstreams identified to take the project forward. Audit attends Programme Board meetings provided support, advice and assurance to the Project.
<p>The following major infrastructure and investment project reviews will be commenced in the second half of 14/15:</p> <ul style="list-style-type: none"> <li>• Data Centre (SRR – Red, ANA – High)</li> <li>• Civic Centre (ANA – Medium, Client Request)</li> <li>• City Deal (Plymouth &amp; SW Peninsula (ANA – Medium, Client Request)</li> </ul>					
<b>Value Added</b>					
Place - SMRF	Client Request	13/14	Final		Assurance was given to the Project Manager that the procurement process was followed correctly, in line with European, National and Council regulations and procedures.
People – Income Collection	ANA – High Client Request	14/15			Q1
Early Intervention (Families With a Future)	ANA – High Client Request	14/15			Q2
Use of Consultants & Advisors	ANA - High	14/15	In Progress		Audit are carrying out a review of the appointment of interim chief officers.

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Mutley Plain Car Park Contract	Client Request	14/15	In Progress		Review of the management of the current contract in place with the car park operator

The following value added reviews will be commenced in the second half of 14/15:

- People – Income Collection (ANA – High, Client Request)
- Early Intervention (Families With a Future) (ANA – High, Client Request)
- Management of Major Contracts (ANA – High, Client Request)

### Core Assurance – Key Financial System

Debtors	ANA - Low	13/14	Final	Good Standard	<p>Collection of general income (excluding council tax and NNDR) has increased from 96.4% in 2012/13 to 96.8%.and reflects the sustained efforts of management and staff to improve.</p> <p>Having assumed responsibility from Legal Services for obtaining judgement against defaulting debtors and the procedures have been embedded during 2013/14 through the use of HM Courts &amp; Tribunals Service's Money Claim Online system. Post judgement bailiff performance is currently under consideration due to the limited recovery success demonstrated by the current providers.</p> <p>Whilst the intended review and refresh of the Income and Credit Management Policy remains outstanding, effective communication and maintenance of procedures has mitigated any operational risks this may pose although as a corporate policy it still needs to be updated.</p> <p>The Financial Assessment and Deputyship team within Revenues &amp; Benefits were not receiving the necessary reports to reconcile the financial data uploaded from Carefirst to the Debtors system. However, there is an action plan in place to address this weakness.</p>
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Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Council Tax	ANA - Medium	13/14	Final	Good Standard	<p>The review found good training being delivered to staff and comprehensive reviews of work undertaken by the Team Leader; procedures were up-to-date and there was an effective system to communicate changes to the team.</p> <p>The 2012/13 CIPFA Benchmarking review showed the service as expensive when compared to the average and although the service had lost a Team Leader and were carrying vacancies all year, Internal Audit were unable to clarify the impact to 13/14 costs.</p> <p>The Council Tax collection rate at the end of March was 95.80%. Areas for improvements to control have been identified as follows:</p> <ul style="list-style-type: none"> <li>• Production of aged debt analysis (previously reported in 2012-13);</li> <li>• Review of credit balances;</li> <li>• Authorisation of debt write-offs;</li> <li>• Performance of the new bailiff contract.</li> </ul> <p>There was however, good evidence of appropriate recovery action being taken.</p>
NNDR	ANA - Low	13/14	Final	Good Standard	<p>The review found good training being delivered to staff and comprehensive reviews of work undertaken by the Team Leader; procedures were up-to-date and there was an effective system to communicate changes to the team.</p> <p>Despite the difficult economic climate NNDR collection rate at the end of March 2014 was 97.63%.</p> <p>The 2012/13 CIPFA Benchmarking review showed the service as expensive when compared to the average and it is unlikely that costs have reduced.</p> <p>Procedures to evaluate the granting of discretionary relief were</p>

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
					<p>found to be robust.</p> <p>Areas for improvements to control have been identified as follows:</p> <ul style="list-style-type: none"> <li>• Production of aged debt analysis (previously reported in 2012-13);</li> <li>• Resolve with ICT the issue of inaccurate data in credit balance report;</li> <li>• Performance of the new bailiff contract;</li> </ul> <p>There was however, good evidence of appropriate recovery action being taken.</p>
Housing Benefits	ANA - High	13/14	Final	Good Standard	<p>Processing times the service area have improved and at the end of the 13/14 year, average times were new claim was just less than 13 days and change of circumstances slightly over 10 days.</p> <p>The QA process has improved the quality of claim processing but there is a risk that because there is no longer a dedicated resource for this role, the accuracy of claims processed fall over time which could impact the HB subsidy.</p> <p>Work is ongoing to reduce the backlog of overpayments but updated processes have improved recovery of newly identified overpayments.</p> <p>There continues to be a lack of proactive HB fraud work although reactive fraud work was seen to be undertaken promptly and effectively in line with the procedures in place.</p>
Capital Accounting (Asset Register)	ANA - Low	13/14	Draft	Good Standard	<p>The Capital Programme is subject to approval with regular monitoring reports provided throughout the year to enable effective scrutiny and appropriate approval of changes.</p> <p>The rolling asset re-valuation programme has been adhered to and the Fixed Asset register updated accurately and completely</p>

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
					<p>with the revised valuations. Movement on the general ledger is monitored on a monthly basis with further reconciliations between the general ledger and fixed asset register undertaken as part of the closedown process.</p> <p>The Land and Property Team are currently working with Transformation to develop an Asset Strategy. This will draw on the results of the Strategic Property Review commissioned in 2012/13 and the aims and objectives of the GAME and POD Transformation delivery programmes.</p> <p>Delegated changes to the management of the Capital Portfolio are now taken by the City Council Investment Board and details will be incorporated into the Constitution and Financial Regulations.</p>
Mount Edgcumbe 13/14 Accounts	Regulatory Requirement	14/15	Final	Good Standard	<p>Cornwall County and Plymouth City Councils agreed a total annual contribution of £314k for 2013/14, a £70k reduction from 2012/13.</p> <p>The focus of the Mount Edgcumbe Joint Committee during 2013/14 has been to drive forward the transformational change of Mount Edgcumbe Park with the objective of securing its future sustainability. As part of on-going business planning, budget monitoring and transformation projects, risks to objectives are considered, however these risks are not formally presented and discussed by the Joint Committee.</p>

The following core assurance / key financial systems will be commenced in the second half of 14/15:

- Civica Financials: (ANA High/Medium/Low)
  - Creditors
  - Main Accounting
  - Debtors
- CareFirst – Adults (ANA – Medium / Low)
  - Residential Care Payments
  - Residential Care Billing

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
<ul style="list-style-type: none"> <li>• Academy Revs &amp; Bens (ANA High/Medium/Low)               <ul style="list-style-type: none"> <li>➢ Housing Benefits</li> <li>➢ Sys Parameters</li> <li>➢ Council Tax</li> <li>➢ Business Rates</li> </ul> </li> </ul>					<ul style="list-style-type: none"> <li>• Fixed Asset Register (ANA – Medium)</li> <li>• Treasury Management (ANA – Low)</li> <li>• iTrent – Payroll (ANA – High)</li> <li>• IT Material Systems (ANA – Low)</li> </ul>
<b>Core Assurance - Other</b>					
Absence Management	ANA - High	13/14	In Progress		
Corporate Landlord	ANA - High	13/14	In Progress		
ICT Access Management		13/14	Draft		<p>Policies and training provided to staff concerning logical access to systems are effective although they would be improved by the formal adoption of the Devon Information Security Partnership (DISP) framework for information security in which the Council played a major role in developing.</p> <p>The control framework provided through physical security and software controls is generally sound although there are improvements in control required in the following areas:</p> <ul style="list-style-type: none"> <li>- documentation of security procedures for staff generally;</li> <li>- documentation of firewall administration</li> <li>- management and monitoring of user and administrator accounts;</li> <li>- malfunction of smartcard access security door in the Civic Centre.</li> </ul>
People – Plymouth Teaching School Alliance (PTSA)	13/14	13/14	Final	High Standard	<p>Under the PAPH CIC, a Strategic Partnership Board and an Operational Partnership Board have been established with direct involvement of Plymouth Schools, the Local Authority, the University of Plymouth and University of St Mark and St John to support the work of the PTSA to deliver the improvement in the quality of school leadership, teaching and learning across Plymouth schools.</p>

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
					<p>Arrangements and protocols have been established between PAPH CIC and the schools to access available funding through a variety of programmes established by the PTSA. PAPH CIC has taken on the responsibility of checking the claims submitted by schools agree with approved action plans and the payments being made to schools that provided support in delivering the programmes.</p> <p>Some recommendations have been made to ensure that schools are reminded to submit their claims on a more regular basis and the need for individual schools to clearly show their PTSA financial transactions in their budget monitor reports. This would provide clear information for a school's governing body.</p>
People – Plymouth Safeguarding Children Board (PSCB)	ANA – Medium Client Request	13/14	Final	High Standard	<p>The Independent Chair of the PSCB is due to retire later this year. Consideration should be given as to the appropriate time to advertise this post to allow for an effective hand over. The current Independent Chair is also the Chair for the Plymouth Safeguarding Adults Board (PSAB) and the Chair for the Child Death Overview Panel (CDOP) which has allowed for good communication links between the three bodies. However, the future of how information is passed between these organisations may need to be revisited if the posts are filled by different people.</p> <p>Funding for the PSCB continues to be met by contributions from the member agencies of the Board. Previous years have seen an overall underspend on the budget which has been rolled forward. The reserves have proved useful in funding CDOP over the last few years since the Area Based Grant (ABG) funding ceased. However, it is anticipated that by 2015/16 the reserves will be exhausted. A special budget meeting has been arranged for later in the year to discuss this issue and the risk of insufficient funds available for the PSCB is highlighted in the risk register.</p>
People – Plymouth Adult Safeguarding Board (PSAB)	ANA – Medium Client Request	13/14	Final	Improvements Required	Several matters raised had been identified by the Board and were also raised previously in the October 2011 audit report; namely:

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
					<p>implementation of an Annual Report, Risk Register, Business Plan. The lack of a PSAB operational risk register is considered a high priority.</p> <p>With the retirement of the Independent Chair of the PSAB at the end of August 2014 and the departure of the Head of Safeguarding in March 2014 the Board is operating in a period of uncertainty. There are clearly resource implications in implementing and establishing all the appropriate governance arrangements for the Board and these should be fully addressed once the new Chair is in post in January 2015.</p> <p>Agencies who will become statutory members of the PSAB have previously made financial contribution to its running costs. These contributions have been based on a number of factors and final decisions on how funding in the future will be met is yet to be determined. Agencies are not obliged to contribute financially. With no formal agreement in place regarding contributions, in the current economic climate, there is a risk that agencies may not feel able to make a contribution. Agreed contributions will need to be formalised and included in the Partnership Agreement.</p> <p>The Safeguarding Adults Return (SAR) 2013/14 was populated using data held in a spreadsheet instead of data being extracted direct from CareFirst. It is understood the reason for this is because data held in CareFirst cannot be relied upon to be complete and up to date. This is an area for concern. If the prime record (i.e. CareFirst) is not up to date then the safeguarding process may be less effective. The on-going completion of a spreadsheet creates an unnecessary duplication of work and adds to the risk of errors in the SAR.</p>
People – CareFirst Creditors Follow-Up		13/14	In Progress		

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Disclosure and Barring Service (DBS)		13/14	Final	Good Standard	<p>The current policy and guidance complies with national requirements and is updated in response to changes made by the Protection of Freedoms Act 2012.</p> <p>We have concerns over the duplication of effort and the possible introduction of errors as a consequence of the need for two ICT systems to undertake all the necessary DBS functions. However, work is ongoing to look at the electronic submission of checks to the DBS and should this be successful then it would likely reduce the need for double input by recruitment staff. Despite this, staff works in an accurate and efficient manner and the quality assurance checks built into the overall DBS process should help to ensure this continues moving forward.</p> <p>The new requirement for a tri-annual self declaration process is managed from information obtained with the iTrent system and was found to be working well.</p>
Corp Information Management & Security <ul style="list-style-type: none"> <li>• Business</li> <li>• IT Inc. PSN</li> </ul>	SRR - Amber ANA - High	14/15	In Progress		Ongoing Advice and Consultancy including ILOG. Monitoring progress with ICO Audit action plan and recommendations made by DAP following a review in 2013-14
Schools Financial Value Standards (SFVS)	ANA - Low	14/15	Final	N/A	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2013/14 submitted to the Department for Education.

The following core assurance (other) reviews will be commenced in the second half of 14/15:

- Business Continuity (SRR – Green, ANA Medium)
- ICT (ORR – Amber, ANA Medium)
  - Service Strategy
  - Service Design
  - Service Operation
- Capital Programme – Governance (ANA – High, Client Request)
- Procure to Pay Process (ORR – Amber, ANA High)
- Schools Finance Support (ANA – Medium, Client Request)

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
<b>Grants</b>					
Troubled Families (Families With a Future)	Regulatory Requirement	14/15	On-going	Part Certified	2013/14 quarter 4 and 2014/15 quarter 1 claims have been certified. Quarter 2 claim to be checked in October and quarter 3 in January.
DFE Adoption Grant	Regulatory Requirement	14/15	Complete	Certified	
CRC Return	Regulatory Requirement	14/15	Complete	Certified	DAP were able to certify that the Council had fulfilled its obligations with regard the submission of data and compilation of supporting evidence for the CRC Energy Efficiency Scheme. Annual Certificate issued 31 July 2014

The following grant claims will be reviewed in the second half of 14/15 in accordance with the requirements of the grant determinations:

- Disabled Facilities Grant - Regulatory Requirement
- Local Transport Fund Capital Block 31/2150 Additional 31/2163 – Regulatory Requirement
- Green Deal Communities Fund – Regulatory Requirement



**Subject:** Internal Audit – Follow-Up Work  
**Committee:** Audit Committee  
**Date:** 25 September 2014  
**Cabinet Member:** Councillor Lowry  
**CMT Member:** Malcolm Coe (Assistant Director FETA)  
**Author:** Robert Hutchins, Head of Devon Audit Partnership  
**Contact details:** Tel: 01752 306710  
**Ref:**  
**Key Decision:** No  
**Part:** I

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**Purpose of the report:**

This report is to provide assurance to Members of the Audit Committee that where an audit has been undertaken and that an opinion of “Improvements Required” or less has been provided, 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. It should be noted that we did not give an opinion of “Fundamental Weaknesses Identified” for any of the audits we undertook in 2013/14 to date and reported on.

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**The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:**

The work of the internal audit service assists the Council 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.

The delivery of the Internal Audit Plan assists all directorates in delivering outcomes from the Corporate Plan:-

- Pioneering Plymouth – by ensuring that resources are used wisely and that services delivered meet or exceed customer expectations;
  - Confident Plymouth - the Government and other agencies have confidence in the Council and partners.
- 

**Implications for Medium Term Financial Plan and Resource Implications:**

**Including finance, human, IT and land:**

None

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

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

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**Equality and Diversity:**

Has an Equality Impact Assessment been undertaken? No

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**Recommendations and Reasons for recommended action:**

It is recommended that:-

- I. The report be noted.
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**Alternative options considered and rejected:**

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

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**Published work / information:**

Internal Audit Annual Report 2013/14 – June 2014

**Background papers:**

None

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**Sign off:**

Fin		Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member													
Has the Cabinet Member(s) agreed the content of the report? Yes													



devon **audit** partnership

## Internal Audit Report

Follow Up Report on  
Areas Requiring  
Improvement

**Plymouth City Council**

*August 2014*

**OFFICIAL**

Robert Hutchins  
Head of Audit Partnership



**Auditing for achievement**

## **Devon Audit Partnership**

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The Devon Audit Partnership has been formed under a joint committee arrangement comprising Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk).

## **Confidentiality and Disclosure Clause**

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This report is protectively marked in accordance with the National Protective Marking Scheme. Its contents are confidential and, whilst it is accepted that issues raised may well need to be discussed with other officers within the organisation, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

## **Introduction**

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At the June Audit Committee, members were provided with the Annual Internal Audit report for the Council. Appendix 4 of that report provided a summary of the audits undertaken during 2013/14, along with our assurance opinion. Where a “high” or “good” standard of audit opinion was been provided we confirmed that, overall, sound controls were in place to mitigate exposure to risks identified; where an opinion of “improvement required” was provided then issues were identified during the audit process that required attention. We provided a summary of some of the key issues reported that were being addressed by management and pointed out that we were content that management were appropriately addressing these issues.

As part of adding value, Devon Audit Partnership has completed follow up reviews to provide updated assurance to members. The results from this process are contained in this report at Appendix A.

## **Assurance Statement**

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Our assurance opinion remains as reported in our Annual Audit Report 2013/14. However, it should be recognised that there is potential for this assurance opinion to be adversely affected should the lack of progress made against certain individual audit management action plans continue.

## **Progress Impact Assessment**

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The progress made in the majority of areas means the previously identified risks are being minimised or mitigated where appropriate. The limited progress made in some action plans means a number of the risks previously identified and highlighted to management remain.

Progress on the following reviews remains incomplete or outstanding. Several of these areas although classed as “business as usual” support key elements within transformational change in the coming months and in principle may impact on the success of the wider strategic risks in these areas. For example new commissioning models require strong contract and performance management frameworks. These frameworks would benefit from the “lessons learnt” as part of our review contracts from highways and ICT. Key areas are as follows:

- Contract performance management - highways maintenance and ICT service delivery;
- Information management – service compliance;
- Public services network –cross service compliance;
- Carefirst – social care payments.

The principles, in terms of lessons learnt, need taking forwards in transformation change programmes for future design alongside current remedial action plans. These issues may impact many strands of transformation particularly those of commissioning, information management and the public service network which cut across many services.

In addition, where the implementation of agreed actions is not yet due for completion

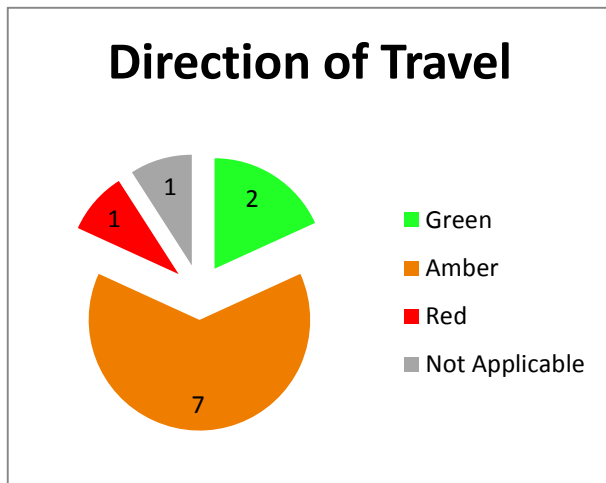
those actions have not formed part of this follow up exercise and the identified risks will remain until such time as the actions are complete.

This follow up activity was an opportunity to facilitate review and expedite progress for individual audits, to inform Management of the current position and to integrate the outcomes into the organisation’s strategic management.

## Progress

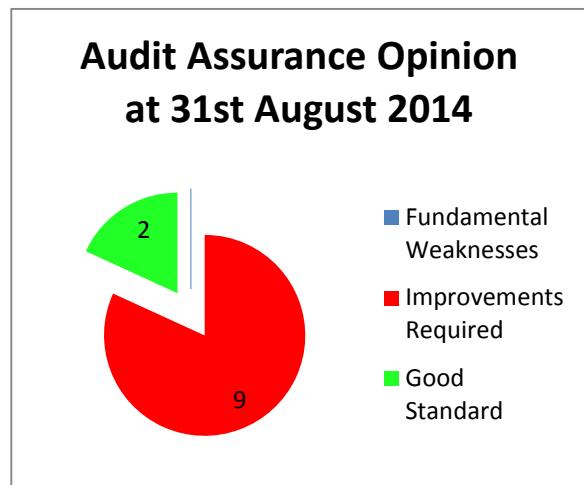
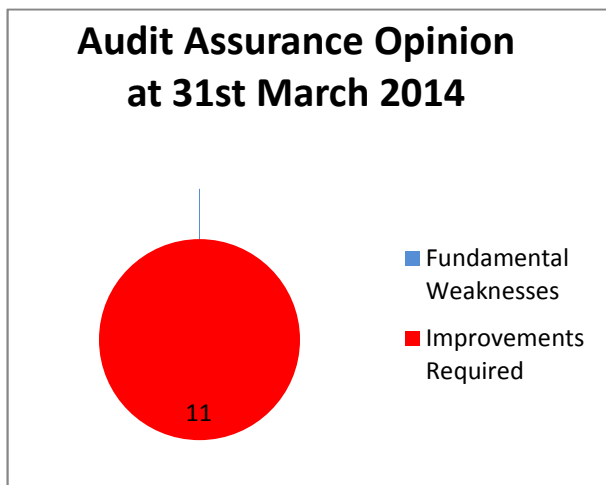
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The progress made against the agreed action plans is shown in the ‘Direction of Travel’ chart. The subsequent charts record the resulting change in audit assurance opinion based upon the follow up work undertaken. It should be noted that a small proportion of the audits were not followed up due to the timing being inappropriate either where actions have only been recently agreed or where their implementation is due to take place at some point in the future. In these instances the original assurance opinion remains.



### Direction of Travel Key

**Green** – action plan implemented or being implemented within agreed timescales;  
**Amber** – implementation of action plan not complete in all areas or overdue for key risks;  
**Red** – implementation of action plan not complete and we are aware progress on key risks is not being made.  
**N/A** – follow up not appropriate at this time / opportunity for progress has been limited



## Internal Audit Coverage and Results

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Overall we can report that for the majority of audits, progress is being made against the agreed recommendations following our initial work and this is shown in the

direction of travel chart above and in Appendix A of this report. Whilst a number of opinions remain unchanged at this time, this does not reflect lack of action in all cases.

It should be noted that in a number of instances, action is being taken to address the issues identified, but this is ongoing and therefore we have been unable to form a new overall assurance opinion. It is acknowledged that the need to make changes to some processes can take time to achieve, and as a consequence not all recommendations have been actioned in full, but this is as expected.

Some agreed actions have not been implemented for a variety of reasons including strategic and operational changes in the service area and the need to prioritise resource in other directions. We shall work with management in determining revised implementation dates to ensure that actions are taken as promptly as is possible to address the risks identified.

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 and managed and that management will resolve the issue as and when opportunities arise.

Appendix A of this report sets out the audits which, at the end of 2013/14, were identified as 'improvements required' or 'fundamental weaknesses'. The appendix shows the current (updated) assurance opinion as a result of our follow up work, together with an indication of 'direction of travel'. We have also provided some more detailed commentary on progress being made and the remaining risks. Appendix B provides a definition of the assurance opinion categories.

## **Annual Governance Statement**

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The conclusions of this report provide further internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

These should be considered along with the conclusions from the Annual Audit Report 2013-14 presented to the Committee in June 2014.

## **Process**

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For each service area where an overall audit opinion of "improvements required" was provided at the end of 2013/14 we completed a follow up review. 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.

Our approach was to initially write to the appropriate service manager to obtain an update on progress being made against agreed audit recommendations. The level of assurance we requested was dependent upon the priority of the agreed recommendation.

For "high" priority recommendations we required written confirmation that the action had been enacted upon, or an update on the progress being made, plus some evidence to support this (as above) plus, and depending upon the nature of the recommendation, we considered a physical visit to confirm that the recommendation was operating as expected and that the identified risk had been reduced to an acceptable level.

For "medium" priority recommendations we required written confirmation that the action has been enacted upon, or an update on the progress being made, plus some evidence to support this. For example, if the recommendation was for a monthly imprest reconciliation to be produced and signed as correct, then a copy of the most recent reconciliation was required.

For recommendations of "low" priority we required written confirmation that the action had been enacted upon, or an update on the progress being made.

Following the completion of our review we considered the progress made against of the agreed recommendations. This then enabled us to reconsider our assurance opinion against each of the risk areas identified, and has enabled us to reconsider our overall assurance opinion enabling an updated opinion to be provided where appropriate.

It should be noted that this updated opinion is based upon the assumption that systems and controls as previously identified at the original audit remain in operation and are being complied with in practice. The purpose of our follow up exercise has not been to retest the operation of those previously assessed controls, but to consider how management have responded to the agreed action plans following our previous work

## **Recommendations**

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It is recommended that the report be noted.

**Robert Hutchins**  
**Head of Audit Partnership**



# Summary of Audit Follow-Ups and Findings 2013-14


## Risk Assessment Key



LARR – Local Authority Risk Register score Impact x Likelihood = Total & Level  
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management  
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available

## Direction of Travel - Key




Green – action plan implemented or being implemented within agreed timescales;  
 Amber – implementation of action plan not complete in all areas or overdue for key risks;  
 Red – implementation of action plan not complete and we are aware progress on key risks is not being made.

\* report recently issued, opportunity for progress has been limited.

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2014	Updated Audit Assurance Opinion as at 31 August 2014	Commentary and residual risk	
<b>Cross Cutting</b>					
Contract Management Inc ICT Service Design – Supplier/ Contract Management	Client Request ANA High risk	Improvements Required	Improvements Required	The Council has taken significant strides in tackling the issues around the management of contracts throughout the business. The setting up of a Contract Management Working Group by Commercial Services has brought together officers from all directorates with responsibility for overseeing the majority of the Council’s major contracts. Together they have considered the issues that are being faced and under the leadership of the Interim Commercial Manager, developed a draft Contract Management Strategy and Practice Statement and Procedures which is currently being reviewed by Programme Boards as part of Transformation. The Group will then examine how best to implement the strategy and how to make it sustainable through guidance and training. The strategy is an iterative document, taking into account the Council’s co-operative values, and Social Value Act, that will continue to develop and the organisation continues through its transformation programme. However, until the Strategy and Procedures are implemented, the Council continues to face the risk of contract failure, legal penalties, financial losses and fraud.	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2014	Updated Audit Assurance Opinion as at 31 August 2014	Commentary and residual risk	
Corporate Information Management - PSN	SRR - Amber	Improvements Required	Improvements Required	<p>In April 2014, PCC received notification that it has failed to meet the compliance standards and a twenty four item action plan was produced along with a monitoring spreadsheet to administer the required remediation. A project scope for the required remedial actions was produced and signed off by the SIRO. The scope also identifies key issues that may adversely impact next year's accreditation. The maintenance of constant dialogue and engagement with the Cabinet Office assisted in delaying the PSN escalation process that would ultimately end in the severance of PCC's PSN connection. As at 4th August 2014, 20 of 24 actions were completed.</p> <p>Looking towards next year's submission it is likely that a new Information Governance Manager role will have responsibility for providing core assurance regarding the maintenance of the PSN accreditation to the Authority as a whole. It is yet undecided where this position will report to.</p> <p>In summary, the remediation of the weaknesses identified by the Cabinet Office has been administered to a good standard. However, there remains a degree of uncertainty around future governance, knowledge and staffing arrangements.</p>	
Corporate Information Management - Information Management & Security	SRR - Amber	Improvements Required	Improvements Required	<p>Following the delivery of our report, officers prepared a monitoring spreadsheet that detailed, for each of our recommendations, a RAG progress indicator, the initial management response and subsequent updates, and a deadline for completion. Following the delivery of the Information Commissioner Office's (ICO) audit report, a similar document was created to track progress of the recommendations included in that document. On our</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2014	Updated Audit Assurance Opinion as at 31 August 2014	Commentary and residual risk	
				<p>recommendation, the two tracking documents are now cross-referenced in order to reduce the management burden and to co-ordinate efforts. The ICO's auditors will be carrying out their follow-up exercise in January/February 2015.</p> <p>Our review of the Council's progress towards our recommendations shows that of the original forty-five recommendations, twenty are completed (green), thirteen are partially completed (amber) and twelve have made limited or no progress to date (red). Priorities are being given to the ICO recommendations given the significance of their compliance review.</p> <p>Analysis of those where limited or no progress has been made shows that seven of the twelve are linked to the Transformation Programme. These will include the remit of the former Information Governance Manager and Information Asset Owners when appointed. Priorities are complex and actions interdependent.</p>	
<b>People</b>					
Pre-Paid Cards - review process from end to end	ANA - High	Improvements Required	Improvements Required	Responses to the draft report have been finalised and a final audit report issued at the end of June. The report identified issues with the terms and conditions within the contract with the card supplier, the supplier's liability for fraudulent transactions, the lack formal performance targets and monitoring of these, particularly given the sums involved and new nature of pre-paid cards and the vulnerability of many of the cardholders. Significant changes are currently taking place within the service area and it has been agreed with management that further work will be programmed in	N/A*

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2014	Updated Audit Assurance Opinion as at 31 August 2014	Commentary and residual risk	
				during the 2015/16 audit plan year.	
CareFirst Creditors System		Improvements Required	Improvements Required	The imminent decommissioning of NSIBS Social Care billing system and changes to the input of service provision for payment have resulted in the originally agreed actions not being fully implemented and for new processes to be put in place from October 2014. In view of this a full audit review of Adult Social Care payments will take place at a later date. In the meantime, Internal Audit are available to offer assistance and advice with regard to audit compliance and best practice during this period of change.	
EasyLet/HouseLet Schemes	ANA - Low	Improvements Required	Good Standard / Improvements Required	The final audit report was issued in May 2014 and the recommendations made in relation to the EasyLet scheme have been implemented.  However, the HouseLet scheme recommendations have yet to be implemented and the scheme is subject to a departmental review. In view of this, these recommendations will be followed up in October 2014 and an updated audit opinion given.	 &  *

Place					
Control of Fuel, Fuel Cards and Fuel Containers	ANA Medium risk	Improvements Required	Improvements Required	There has been a considerable amount of activity which has resulted in the majority of recommendations being implemented in full. However, the service is still unable to identify all its vehicles efficiently although moves are being taken to introduce a new system in October which will address this weakness. This will be followed up once the new system has been implemented and an updated audit opinion will be given.	
Street Cleaners On-Call System	ANA Medium risk	Improvements Required	Good Standard	All recommendations have been implemented except for one of a low priority. In respect of the outstanding recommendation, regarding the analysis of call-outs, given the improvements made to the system and the low priority rating, it has been agreed with management that implementation will only be necessary if there is a material increase in the current demand and type of on-call activity.	
Parking Income Collection		Improvement Required	Improvements Required	The final audit was issued in May 2014 and the majority of the recommendations have been fully implemented. Of those that remain outstanding, two are considered as low material risk to the organisation and the other is part of an ongoing discussion between the City Council and its insurers. In view of this, these recommendations will be followed up in October 2014 and an updated opinion given.	
Contract Management - Amey - Contract overview	Client Request	Improvement Required	Improvements Required	The report remains in draft. Audit are awaiting the Network Management Team to agree a management action plan which will contain dates for action to be completed. A follow up audit will be programmed in during the 2015/16 audit plan year. The Council remain at risk of possible loss that cannot be quantified, linked to the different interpretation of the contract by the Council and the contractor.	

## Definitions of Audit Assurance Opinion Levels

Assurance	Definition
High Standard.	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.
Good Standard.	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.
Improvements required.	In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.
Fundamental Weaknesses Identified.	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

## Definition of Recommendation Priority

Priority	Definitions
High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important recommendations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.

## Confidentiality under the National Protective Marking Scheme

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Marking	Definitions
Not Protectively Marked or Unclassified	Documents, information, data or artefacts that have been prepared for the general public or are for the public web pages or can be given to any member of the public without any exemptions or exceptions to release applying, have the classification NOT PROTECTIVELY MARKED. Some organisations will also use the word UNCLASSIFIED for publicly available information.
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Secret	Very sensitive information that justifies heightened protective measures to defend against determined and highly capable threat actors. For example, where compromise could seriously damage military capabilities, international relations or the investigation of serious organised crime.
Top Secret	The most sensitive information requiring the highest levels of protection from the most serious threats. For example, where compromise could cause widespread loss of life or else threaten the security or economic wellbeing of the country or friendly nations.

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# GOVERNANCE ARRANGEMENTS BRIEFING – TRANSFORMATION PORTFOLIO

David Trussler



The governance system of the council is the combination of authority, roles, routines and documentation that enable well informed decisions to be taken.

At Plymouth City Council there are overarching executive governance arrangements and three sub-systems of officer governance:

- Leadership of the operations of the council through corporate and departmental management teams.
- Leadership of infrastructure change in the city associated with large capital projects.
- Leadership of transformation across the council, enabled through the creation of a Transformation Portfolio of Programmes with their constituent projects.

Within this construct the governance arrangements for the Transformation Portfolio follow an established methodology.

## Cabinet

Member oversight is by Cabinet Members and the Transformation Portfolio forms part of the portfolio of the Cabinet Member for Finance, who receives the Portfolio Highlight Report from the Transformation Portfolio Board. Cabinet take key decisions relating to the Transformation Portfolio in accordance with Constitution/Scheme of Delegation.

Cabinet Members –

- own and are accountable for the Transformation Portfolio;
- are aligned to individual programmes;
- recommend Programme Business Cases to Cabinet for approval.

## Transformation Advisory Group

- Purpose: Build cross-party dialogue, understanding and consensus on Transformation
- Executive Member for Transformation (Chair), Shadow equivalent, Chair of Co-operative Scrutiny Board. Additional Labour member (flexible)
- Supported by Strategic Director for Transformation and Change
- Receive Portfolio Highlight Report
- Frequency : Monthly

## Scrutiny Committees

The Co-operative Scrutiny Board provides scrutiny of the Transformation Portfolio. Individual programmes are scrutinised by themed scrutiny panels and review groups.

## Transformation Portfolio Board

Officer governance of the Transformation Portfolio takes place through the Transformation Portfolio Board. The Board –

- Ensures that the Blueprint for the future of the organisation is delivered by the Portfolio of Programmes

- Make/recommend prioritisation decisions between and within Programmes, reflecting political objectives
- Ensure engagement strands (political, community/customer, staff and partners) are fully supporting and driving the Transformation Portfolio and Programmes
- Ensure (financial and human) resources are available to deliver the Portfolio
- Ensure Portfolio benefits are delivered
- Approve Programme Business Cases and Exceptions
- Provide the escalation path for Programmes
- Performance management (by exception) of Programmes
- Membership of the Transformation Portfolio Board comprises
  - Chair: Chief Executive
  - Portfolio Manager: Strategic Director, Transformation and Change
  - SROs for each Programme: Director for People, Place, Assistant Chief Executive and the Director for Public Health;
  - Three Engagement leads – Assistant Chief Executive (Political), Head of Organisation Development (Staff), Assistant Director Customer Services (Residents/Customers)
  - S151 Officer
  - Head of Business and Technical Architecture
  - Head of Portfolio Office

### **Senior Responsible Officer**

Programmes are led by a Senior Responsible Officer of the Council who is accountable for successful delivery, achieving desired outcomes and realising expected benefits.

Their role in leading the Programme includes:

- Personal accountability for delivery of the programme outcomes and associated benefits
- Chairing the Programme Board and leading the Programme
- Ownership of the Programme Vision and strategic direction
- Relationship management with key stakeholders, ensuring strong and continued support for the programme
- Maintains alignment of the Programme to the overall Portfolio
- Secures the investment required to set up and run the programme and achieve the desired benefits
- Accountable for the running of programme governance arrangements in accordance with relevant Portfolio Office standards
- Ownership of the Programme Business Case
- Authorises the Programme Manager to carry out each stage of the Programme
- Appoints and authorises Project Executives to manage Projects within the Programme

### **Project Executive**

Programmes comprise of projects which are tasked to deliver new capabilities required and specified in the Programme/Project Business Case by the SRO. Projects are led by Project Executives.

The Project Executive-

- Manages the relationship with key stakeholders
- Chairs the Project Board
- Owns the Project Vision and provides direction
- Is accountable to the Programme SRO for the overall success of the Project

- Authorises the Project Manager to carry out each stage of the project
- Is accountable for the project's governance arrangements in accordance with relevant standards
- Owns the project Business Case (where it is required)
- Ensures Risks and Issues are properly managed and resolved

### **The Portfolio Office**

The Transformation Portfolio Board is supported by the Portfolio Office. The Portfolio Office is an organisational capability, delivered through a Portfolio, Programme and Project Office (P3O) construct which provides:

- Portfolio Alignment, Prioritisation and Planning
  - Blueprint aligned Portfolio of Programmes
  - Prioritisation of Programmes and Projects
  - Portfolio mapping & planning (outcomes, outputs, inputs, dependencies)
  - Portfolio financial strategy and planning
  - Portfolio resource strategy and planning
  - Portfolio level change control
  - Support for Engagement streams strategy & planning
- Governance support: through education, training, & coaching.
- Transparency: supporting high quality decision making through relevant and timely information provision and transmission.
- Leadership roles: through ensuring leaders of change are in place who understand their roles and are given training and coaching support to deliver them
- Delivery support: ensuring there is the right amount and type of specialist capability in place - including people in Programme and Project Management, Business & Technical Architecture, Business Analysis & Design, Change Management, Subject Matter Expert roles – with the right experience, knowledge, skills and behaviours.
- Assurance: through constructive and consultative support of Programme and Project teams across the Portfolio, Programme and Project lifecycle.
- Quality, Reusability and Traceability: ensuring that best practice models, products, processes, standards and tools are in place and being used consistently to maximise the chances of successful delivery.
- Risk Management
- Quality Management
- Reports for the Transformation Portfolio Board

### **Risk**

Risks to the delivery of transformation objectives and benefits are managed using a Portfolio, Programme and Project Risk Management Methodology using OGC Management of Risk and aligned to PCC Corporate Risk Management. Risks and Issues are identified, articulated and assessed at the Project, Programme and Portfolio level against a scoring for Proximity, Likelihood and Consequence/Impact.

Risks are assessed by area such as Financial and Organisational and the mitigation for the risk is articulated with both a current RAG status and a residual RAG status assigned. Regular risk assessments are held led by the Portfolio Office to ensure that the Project, Programme and Portfolio responsible officers have identified all risks and their required actions and status, and that the identified actions to mitigate the risks are being effective. The Portfolio Office also monitors risks that need to be escalated from Project to Programme and Programme to Portfolio (as well as to the Corporate Risk Register as appropriate) are escalated and actioned.

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**Audit Committee Work Plan 2014/15**

Item	Cabinet Member / Lead Officer	2014							2015					
		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 (Rob Hutchings/ Brenda Davis)	26						18						
Statement of Accounts 2013/14	Cllrs Lowry and Peter Smith	26			25									
Operational Risk & Opportunity Management - Update Report	Cllrs Lowry and Peter Smith (Mike Hocking)	26						18						
Risk & Opportunity Management Annual Report	Cllrs Lowry and Peter Smith (Mike Hocking)	26												
Annual Governance Statement	Cllrs Lowry and Peter Smith (Mike Hocking)	26												
Annual Report on Treasury Management Activities for 2014/15	Andrew Liddicott	26			25									

### Audit Committee Work Plan 2014/15

		2014							2015					
Item	Cabinet Member / Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
RIPA Surveillance Report	Richard Woodfield							18						
Strategic Risk and Opportunity Management Register Monitoring Report	Cllrs Lowry and Peter Smith (Mike Hocking)				25						26			
Internal Audit Annual Plan	Cllrs Lowry and Peter Smith										26			
Internal Audit – Progress Report	Brenda Davis/ Dominic Measures/ Robert Hutchins				25									
Internal Audit – Follow Up Work	Brenda Davis/ Dominic Measures/ Robert Hutchins				25									

**Audit Committee Work Plan 2014/15**

		2014							2015					
Item	Cabinet Member / Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Audit Plan 2013/2014 – progress report	External Auditor Grant Thornton				25									
Annual Report to Those Charged with Governance (ISA260 Report) 2013/2014 including Value for Money (VFM)	External Auditor Grant Thornton				25									
Annual Audit Letter 2013/2014	External Auditor Grant Thornton							18						
Certification Plan	External Auditor Grant Thornton				25									
Certification Work Report 2013/2014	External Auditor Grant Thornton							18						
Audit Plan 2014/2015	External Auditor Grant Thornton										26			

**Audit Committee Work Plan 2014/15**

		2014							2015					
Item	Cabinet Member / Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Audit Fee Letter 2015/2016	External Auditor Grant Thornton										26			
Review of rolling workplan	Lead Officer/DSO	26			25			18			26			
Information Commissioners Audit	Mike Hocking				25									
Briefing on the process to reclaim back money lost to fraud (action from 13/3/14 mtg)	Revenues and Benefits Manager													
Status of report on Civic Centre	David Draffan				25									



**PLYMOUTH CITY COUNCIL**

**Subject:** Redevelopment of the Civic Centre and Future  
Accommodation Requirements

**Committee:** Cabinet

**Date:** 3 September 2013

**Cabinet Member:** Councillor Mark Lowry

**CMT Members:** Anthony Payne (Director for Place)  
David Trussler (Interim Director for Corporate  
Services)

**Authors:** Les Allen, Accommodation Transformation Programme  
Manager  
Alwyn Thomas, Civic Centre Project Director

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Tel: 01752 304307  
Email: [alwyn.thomas@plymouth.gov.uk](mailto:alwyn.thomas@plymouth.gov.uk)

**Ref:**

**Key Decision:** Yes

**Part:** I

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**Purpose of the report:**

- (1) To award the contract for the redevelopment of the Civic Centre and adjoining car park to the preferred bidder;
- (2) To agree where services and staff would be relocated, the financial resources and to ask the City Council to agree capital resources.

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**The Brilliant Co-operative Council Corporate Plan 2013/14 -2016/17:**

The sale of the Civic Centre will contribute to the Pioneering Council by allowing greater flexibility and efficiency in delivering services; the Growing Council by facilitating the Arts Centre and creating a substantial number of jobs and training opportunities and the Confident Council by regenerating this site in a way in which all residents of Plymouth can be proud, with an internationally branded, top quality hotel.

The future locations of staff and services decanting from the Civic Centre will support the Pioneering and Caring priorities of the council by providing the essential customer services in the centre of the city. This moves the more process driven elements to other areas across the city reducing the cost of operating and limiting expenditure to essential sites thus freeing up finances for front line services and removing inequalities in access across public buildings.

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

The resolution of the Civic Centre site links to the Accommodation Transformation Strategy and forms part of the council's Medium Term Financial Plan. The annual revenue cost to the Council of the recommended solution can be contained within existing revenue budgets held for the Civic Centre. Full financial information is contained in the Part II report.

There will be a requirement for Capital investment in assets to achieve the occupancy levels required and further investment in ICT infrastructure to support decant and flexible operations in the future.

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

Resolution of the Civic Centre site removes one of the biggest financial risks to the council. This has featured on the strategic risk register since the listing of the buildings in 2007. Doing nothing and maintaining the building in its current status represents a serious health and safety risk as significant investment is required to ensure structural stability and builds up increased liability for the future.

A number of opportunities have been created by seeking alternate ways of working resulting in opportunities for closer working with partners to improve community safety and deliver services more aligned to the needs of the city. The provision of more flexible ways of working across the city will improve service delivery and access to services across the city in the long term.

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**Equality and Diversity:**

Has an Equality Impact Assessment been undertaken? Yes

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**Recommendations and Reasons for recommended action:**

- I. To award the contract for the re-development of the Civic Centre to the party selected as Preferred Bidder following the public procurement exercise.

- Reasons:
- i) To implement the conclusion of the public procurement process.
  - ii) Sale of the site for redevelopment will:
    - a) Deliver economic, physical and social regeneration
    - b) Maintain the Council House for formal meetings and ceremonies

- c) Reduce the accommodation operating costs over a period of 25 years
  - d) Remove the liability to maintain a grade II listed building
2. To agree the preferred locations for services to be redeployed to and the assets for redevelopment / lease, to support services decanting from the Civic Centre.

Reason: To progress lease negotiations and contract specification, procurement and award to meet the timelines required to support the sale of the Civic Centre programme.

3. To agree the revenue budgets and seek appropriate capital budgets required from Council to achieve decant of the Civic Centre as identified within the attached Part II report.

Reason: To progress all work streams required to decant from the Civic Centre.

4. To delegate authority to Cabinet Member for Finance to award contracts and approve leases within the agreed budget to redevelop the facilities identified in the attached Part II report.

Reason: There will be a number of contracts and leases to be approved which will be in excess of currently approved delegations of authority and will need to be approved quickly to support commercial decisions.

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#### **Alternative options considered and rejected:**

To award the contract to another contractor would not be lawful as it would contravene the procurement process undertaken.

Doing nothing and maintaining the building in its current status represents a serious health and safety risk as significant investment would be required by the council to ensure structural stability and builds up increased liability for the future.

The delivery of a preferred bidder for the Civic Centre has provided the driver to identify alternate accommodation across the city. As such a large number of options have been identified and reduced to a small number of alternate options taking into account the operating cost envelop which needs to be maintained, the opportunities available on the market at this time and the requirements of the Council's services at the point of change.

The alternate options are still subject to lease negotiations and procurement competition to obtain the best value for money available but include utilising opportunities such as partnership working with some services moving to partner locations.

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#### **Published work / information:**

Civic Centre & Accommodation Strategy Update 20 January 2009

<http://www.plymouth.gov.uk/mgInternet/documents/s17553/Civic%20Centre%20Accomm%20Strat%20update.pdf>

Accommodation Strategy June 2009

<http://www.plymouth.gov.uk/mgInternet/documents/s18978/Accommodation%20strategy.pdf>

Accommodation Strategy Report 10 August 2010

<http://www.plymouth.gov.uk/mgInternet/documents/s25099/Accommodation%20Strategy%20Business%20Case.pdf>

Accommodation Strategy – Civic Centre Options 28 November 2006

<http://www.plymouth.gov.uk/mgInternet/documents/s10375/Accommodation%20Strategy%20-%20Civic%20Centre%20Options.pdf>

**Background papers:**

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	
Future of Civic Centre 23 August 2011		x			x					
Accommodation Strategy – Civic Centre 25 September 2007		x			x					
Equality Impact Assessment for Customers	x									
Equality Impact Assessment for Staff	x									

**Sign off:**

Fin	TPOCI31 4002SRA0 7-08-2013	Leg	18164 /ALT	Mon Off	TH22/ 08	HR		Assets	.	IT		Strat Proc	JK/S PU/C P/32 9/08 13
Originating SMT Member: n/a													
Has the Cabinet Member(s) agreed the content of the report? Yes													

ACCOMMODATION TRANSFORMATION PROGRAMME / CONTRACT  
AWARD FOR THE REDEVELOPMENT OF THE CIVIC CENTRE

I. Background:

Since July 2004 work has been undertaken on options to secure a strategy for dealing with the City Council's administrative estate. Windsor House was secured as a long term strategic site, leaving the key remaining issue as the Civic Centre.

In June 2007 DCMS wrote to the Council confirming that the Civic Centre campus had been approved for listing as a Grade II listed building.

In January 2009 Cabinet approved the preparation of a joint report by the Council and English Heritage of a detailed brief summarising the repair and refurbishment specification to be adopted by the Council and/or a purchaser (investor/developer) in the event that the building was either reoccupied or disposed of by the Council. In addition approval was given for the Civic Centre campus to be formally marketed upon receipt of the refurbishment brief and to approve the Council as the lead procurer of the new Civic Offices.

Alongside of this Cabinet approved the principles of the Accommodation Strategy and its on-going development and for the progression of negotiations with our Local Strategic Partners (including Devon & Cornwall Constabulary and the Primary Care trust) about the opportunity of developing a co - location centre.

The key principles of the strategy were:

- The Council should agree to aim for stage 4 of the 'Without walls' evolutionary model, and a target for an overall 80% desk to employee ratio.
- All meeting rooms to be bookable centrally
- All furniture to be corporately owned, with existing furniture budgets centralised under Property & Economic Development
- A fundamental re-evaluation, in partnership with key suppliers of office furniture design and specification to take place
- Implement standard signs and corporate identity across all corporate buildings

The principles of the accommodation strategy, including co-location with health partners, have been installed in all the main corporate buildings via the first phase of the accommodation strategy delivery with the exception of the Civic Centre which was excluded due to the uncertainty around its future occupation by the Council.

In 2011 Cabinet agreed that the Council would continue to explore the opportunity for freehold disposal as part of the Competitive Dialogue process. Subject to this not being possible it approved a proposal for the redevelopment of the Civic Centre to be put out for European procurement via the Official Journal of the European Union (OJEU) with a view to the Council taking a lease-back of reduced space in a refurbished Civic Centre.

The report explained the position in terms of the Civic Centre which can be summarised as:

- A city centre site of 0.936 ha (2.31 acres) including a surface car park of approximately 0.29 ha (0.72 acres).
- The civic centre and council house was completed in the early 1960's opening in 1963 and was grade II listed in 2007.
- The building has a significant maintenance backlog.
- A feasibility study jointly commissioned with English Heritage was completed in April 2010 and concluded that the building could be sufficiently repaired to give it 50 years of life but at a significant cost.
- It also concluded that there were alternative uses for the building as either office, a hotel or residential use. These options are supported in planning terms.
- It houses 1008 staff on 13 floors in the tower.
- Accommodation for elected members, Council meetings & Civic Reception facilities are provided in the Council House.

## 2. The Issues:

There are a host of issues in relation to the Civic Centre building which means that the Council does not see its long term future linked to the building.

- The building provides sub-standard accommodation which has suffered from a lack of comprehensive capital investment. In particular:
  - Poor thermal insulation with singled glazed metal framed windows.
  - Only 3 lifts currently work and they are at the end of their useful life and beyond economic repair and need to be replaced.
  - The cladding on the outside of the building is failing which has led to the temporary works to protect those outside from falling masonry. Twice yearly scaling is carried out to remove loose elements and it is estimated that the panels will need to be completely replaced by no later than five years time.
  - The grade II listing placing restrictions on capital works that can be carried out and consequently increasing the cost of those works.
  - The building in its present state represents a serious health and safety risk as significant investment is required to ensure structural stability.
- The need for the present sized accommodation is diminishing and will diminish further in the future as new ways of working including home working are rolled out and the Council pursues an alternative service delivery model.
- The Council House will still have value to the Council for public meetings and ceremonies.
- The Council has limited capital to fund the repairs backlog and refurbishment of the building and such investment is not a priority for the Council.
- The Council has advice from Counsel that there are no grounds to mount a challenge to the listing. Current legal advice is that the position has not changed.

The present situation of our use and occupation of the building in its present state cannot, therefore, continue beyond the next 5 years in the absence of significant capital investment.

### 3. Objectives:

The August 2011 report and subsequent considerations have identified a number of objectives to be achieved.

- Deliver economic, physical and social regeneration.
- Provide a reduced level of office accommodation to reflect current and future working practices (flexible working, home-working etc.).
- Provide a city centre based 'first stop' for customers.
- Maintain (if practicable) the Council House for formal meetings and ceremonies.
- Reduce the accommodation operating costs.
- Remove the liability to maintain a grade II listed building.
- Improve the environmental credentials of the Civic Centre building.

### 4. Options

The August 2011 report set out five different options to achieve all or some of these objectives. It was not believed at the time, following a soft market test exercise, that the option of a freehold sale was achievable. These options were:

- a. Re-development of the site requiring consent for demolition.
- b. Carry out a full refurbishment of the buildings by the Council.
- c. A sale and leaseback of the buildings.
- d. A sale and leaseback of part of the buildings.
- e. Continue with the existing maintenance regime (the status quo option albeit limited to the life of the building in its current condition, estimated as 5 years at this time).

It was recommended then, that option d, the sale and leaseback of part of the civic centre tower would be the most cost-effective solution. In order to develop that solution, an Official Journal of the European Union (OJEU) procurement exercise was carried out with a view to the council taking a leaseback of reduced space in a refurbished building. In addition it was agreed that the Council would continue to explore the opportunity for freehold disposal.

### 5. Best Value Analysis

Officers have undertaken a Best Value analysis to confirm that the decision of Cabinet in August 2011 to seek to vacate the Civic Centre still provides best value for the Council. The results are shown in the Part II report.

### 6. Procurement Project:

A Contract Notice for the redevelopment was published in the OJEU on 08 September 2012.

Following a successful Bidder's Day held at Plymouth's Guildhall, the first stage of the procurement process commenced with the authority requiring interested parties to complete a Pre Qualification Questionnaire (PQQ). Applicants had to meet the minimum requirements for economic and financial standing (financial capabilities) and technical and professional capacity (relevant technical experience and resources) and had to meet the legal eligibility criteria, as set out in the PQQ.

The four highest scoring applicants were taken forward to the Invitation to Submit Solutions Stage (ISS). During this phase participants were required to engage in dialogue with the authority to develop their solutions and to enable them to be tested against the authority's requirements.

The ISS stage required participants to propose their solutions for the project by responding to specific questions detailed in the ISS questionnaire. Key questions related to cost to the council, job creation and environmental impact in addition to planning fit and the likelihood of obtaining listed building consent. Four companies were involved during this phase and the council continued to dialogue with the two highest scoring participants following evaluation of the ISS submissions. Two companies were then taken forward to the final tender stage.

The authority closed dialogue on the 15 March 2013 once it could identify one or more solutions capable of meeting its needs and issued the Call for Final Tenders on that date. Participants had until the 18 April to submit their final tender. They presented their solutions to senior councillors and officers on the 19 April 2013. The two submissions were then evaluated by officers against the published evaluation criteria and a Preferred Bidder has been identified. The Preferred Bidder is identified in the Part II report.

## 7. Solution Offered by the Preferred Bidder

The solution offered by the Preferred Bidder allows the Council to vacate the Civic Centre entirely, thus meeting the objective of removing liability for a Grade II Listed Building. The Civic Centre and car park will then be redeveloped into a high quality internationally branded hotel (4 star), feature apartments, restaurants, other food and beverage operations and, subject to grant funding by a third party, an Arts Centre, achieving the objective of physical regeneration of the site.

This solution will result in the creation of a significant number of jobs and training opportunities. The Preferred Bidder is committed to providing local jobs for local people and has begun establishing working relationships with local firms. They will create training courses for school leavers and unskilled workers to develop their skills and experience levels in addition to training courses for students, school leavers and the long term unemployed in connection with Plymouth City College's Employer Endorsement Scheme. All posts will be advertised with the 1000 Club, of which they are a member.



The company offers a long term commitment to the City of Plymouth with an estimated 128 permanent jobs along with apprenticeships, work placements and training courses in the Leisure & Tourism sector; all being made available directly through the Preferred Bidder once the redevelopment is complete and fully operational.

An estimated further 233 permanent jobs will also be available across the food/beverage, health and cultural sectors once the scheme is fully let and operational.

Additionally, 449 jobs will be generated through the Civic Centre project construction process alone. This achieves the objective of economic and social regeneration. The jobs created are a direct contribution to the Plan for Jobs. Project number 1 says "By creating a new partnership of public and private sector landowners we will accelerate, unblock and maximise local employment from the regeneration of the West End including the Theatre Royal, Pavilions and Civic Centre".

Once refurbishment has finished, the public space surrounding the building will experience all the usual benefits of major investment in a thirteen floor city centre development. Activity at street level from the new uses will increase significantly. The design solutions by the architects will generate many more leisure-orientated trips to this area of the city, which is likely to become a destination or hub with its own identity. Many more leisure-orientated visitors will be attracted to the city generally, and they will congregate here and be ideally positioned for walking to nearby shops or to the Hoe as its world-famous visitor attraction. The new uses will attract all ages, business travellers and families, from home and abroad.

The proposal involves the transfer of the freehold interest in the Civic Centre and its rear car park (not the Council House) to the Preferred Bidder at nil consideration. The company will then apply for planning permission and listed building consent to re-develop the property. Once planning permission is achieved there is a legally binding development obligation on the developer to complete the re-development within 2 years. It will not be possible for the developer to "sit on his hands" and land-bank the property. It is anticipated that contracts will be signed this year, once the funders have completed all usual due diligence and the contract will only be conditional on obtaining planning consent. The developer will be under a legally binding obligation to diligently pursue the planning application.

The benefits to the Council of this proposal include the elimination of one of its most significant financial risks in terms of the repair costs anticipated for the Civic Centre; the creation of significant numbers of jobs and training opportunities along with the economic regeneration benefits of having an internationally branded, high class hotel in the centre of the city.

The Council House will be retained meeting the objective of its continued use for civic purposes.

The redevelopment will also meet the objective of improving the environmental credentials for the Civic Centre by improving its rating from E to B.

8. Evaluation

Submissions were evaluated using the criteria listed in table 2 overleaf.

Table 2: Evaluation Criteria

Ref	Issue	Available Score	Weighting	%age of overall score
<b>Pass/Fail Questions</b>				
AI.1	Purchase of Freehold			
AI.2	Solution for Provision of Office Accommodation (specification)			
AI.3	AI.3 Capital Contribution			
AI.4	AI.4 Financial Guarantee			
AI.5	English Heritage			
AI.6	Form of Lease to Council			
<b>Scored Questions</b>				
<u>Technical Proposals</u>				9%
BI.1	Quantum of Leaseback	10	9%	
<u>Contractual</u>				3%
CI.1	The Contract	10	3%	
<u>Financial Proposals</u>				45%
DI.1	Financial Proposal	10	43%	
DI.2	Capital Contributions	10	2%	
<u>Deliverability</u>				17%
EI.1	Funding/Occupiers/Surveys/ Capacity/Vibrancy of proposal	10	12%	
EI.2	Planning	10	5%	
<u>Environmental Factors</u>				11%
FI.1	Energy Performance	10	1%	
FI.2	Carbon Emission	10	10%	
<u>Economic Factors</u>				15%
GI.1(i)	Number of Jobs	10	8%	
GI.1(ii)	Clear statement re job creation	10	3%	
GI.1(iii)	How will jobs be created?	10	4%	
<b>TOTAL</b>		<b>110</b>	<b>100%</b>	<b>100%</b>

The Preferred Bidder scored a total of 83%

The second placed bidder scored a total of 74%

#### 9. Current Position Post Procurement Exercise

The outcome of the procurement exercise is a freehold disposal with no requirement for the council to leaseback space. This allows the council to utilize the current market conditions to procure a better financial deal to meet its space requirements with a revised estimated cost over 25 years as follows as detailed in the Part 11 report.

#### 10. Route to Decant

In anticipation of the preferred bidder being selected the Accommodation Transformation Programme commenced work on the potential decant of the Civic Centre based largely upon the concept of operations used to deliver the Corporate Accommodation Strategy. A Senior Responsible Officer and Programme Manager were appointed at the start of April 2013 to deliver a coordinated delivery of the Civic Decant with a cogent solution for the operational accommodation to meet the needs of the Council's Transformation Programme.

The team sought to achieve a realistic delivery time table in consultation with the preferred bidder for the Civic Centre and equitable operating costs. The solution needed to deliver a 'Front of House' where the services to the public could be delivered within the city centre (an objective) and provide sufficient accommodation to meet the needs of the current occupation levels of the Civic Centre on a hot desking ratio of no greater than 8:10 at this time, in other locations across the city. This effectively reduces the accommodation footprint by 7% in the first instance. Given the changing nature of local authority finances the delivery of a flexible operating base with flexible infrastructure and ICT will be essential to service provision as Plymouth moves into the future. The remaining objectives of reducing accommodation levels and operating costs over 25 years will be achieved in this way.

#### 11. Time Table

The current proposed timeline has the Council vacating the Civic Centre by November 2014 with vacant possession being provided in December 2014 / January 2015. This is a timeline which the Council is keen to achieve. The current programme for the Preferred Bidder shows that planning permission will be sought April – August 2014. To achieve the vacant possession date work will need to be commenced and leases agreed on a number of properties prior to planning permission being granted for the Civic Centre. This exposes the council to the risk and associated wasted costs in the event that planning approval is not obtained. In mitigation, significant dialogue between the developer, planning and English Heritage to gain accord on the route forward has been completed and thus this risk is seen as low.

The Accommodation Transformation Programme will seek to de-risk the impact on service delivery by decanting the civic in a phased approach up to December 2014 taking advantage of the delivery of buildings early and any partnering opportunities which may present themselves. To achieve this will require significant coordinated effort across all departments.

## 12. The Approach

When the decision was taken in 2011 to commence dialogue with the market the authority had understood that the cost to refurbish the Civic Centre was significant and outside the authorities' ability to finance. It also understood that there was likely to be a little interest in the outright purchase of the building given the state of the market, the results of a soft market testing exercise and the condition of the building. Further to this the authority would potentially need to lease back a number of floors in order to make the commercial deal possible, deliver a solution to the building and maintain its iconic status within the city; whilst using the development to help stimulate the provision of jobs, economic activity and regeneration in the city. The dialogue process delivered a solution for the whole building surpassing the authority's expectations and totally achieving the aims originally set in 2011.

Since the decision in 2011 and the outcome in 2013 the financial markets have changed alongside the political landscape and the availability of funding for local authorities. With the city commencing a whole scale transformation programme, and the future shape and structure of the organisation at this time unknown, the delivery of an accommodation infrastructure to support service delivery must be a flexible one to meet the needs of the business both now and in the medium term.

A number of options were investigated to deliver a coordinated solution to the civic centre into a solution which would add value to the transformation programme and the changing nature of the operations of Plymouth City Council. Clearly with the physical condition of the Civic Centre, the option to do nothing does not exist and the need to remove the asset liability remains as does the need to create jobs, economic activity and regeneration of an iconic landmark within the city. As such the options investigated were as follows:

- Option A      Refurbish the current Civic Centre
- Option B      Provide a whole scale New Building to replace the current Civic Centre
- Option C      Provide a number of refurbished buildings across the city to replace capacity
- Option D      Provide a flexible operating base in the medium term

### **Option A**

Option A looked at remaining in the Civic Centre with it being refurbished by Plymouth City Council in the immediate future. This option had already been looked at in 2011 to form the original decision to commence competitive dialogue. As discussed earlier, the costs of this had been calculated however in order maintain a rational approach, it was decided that this should be tested again. In doing so with a group of independent Professional Quantity Surveyors the investigation arrived at a cost detailed in the Part II report. This level of funding on maintaining business as usual was not supported and the option was rejected.

### **Option B**

Option B looked to provide a whole scale new building to accommodate the staff, services and technology currently housed within the Civic Centre. The costs based upon this option are detailed in the Part II report. This did not include the cost of site assembly or resource to conduct decant. Further to this the time line to achieve site assembly and delivery would have a negative impact upon the potential solution for the Civic Centre. Although sites were available, the cost to provide a building which would be excessive in terms of size given potential operating models was not seen as a sound investment in business as usual at this time and as such this option was rejected.

### **Option C**

Option C looked to accommodate staff in multiple locations across the city investing in assets largely owned by the authority. However due to the nature of current service provision and the need to maintain a city centre presence this would necessitate heavy investment in an asset that the authority did not own. It would also require significant investment in ICT infrastructure, disruption to services prior to transformation and the termination of a number of commercial leases that the city has with partners providing income to the city. This option was also rejected given the size of the investment in assets that were not owned by PCC and did not provide the long term solution given the changing nature of the business as a whole.

### **Option D**

Option D sought to accommodate staff in leased accommodation and a number of unoccupied commercial properties taking advantage of current market conditions whilst the authority completes its transformation over the next five years altering its shape, size, and structure and operating model accordingly. This will allow the authority to develop its strategy for wider asset rationalisation within its transformation programme alongside its partners desire to do the same achieving economies of scale across the board. The cost to achieve this is detailed in the Part II report with an ongoing revenue support requirement which is subject to further review. The option of remaining in the Civic Centre during this five year period was discounted due to the negative impact on the proposed solution for the Civic Centre and the anticipated repair costs over that period of 5 years.

### **Recommended Option**

Option D is the recommended option delivering an operating base for the city based upon a mixture of leased and owned assets which remain flexible in terms of size to allow the Council to adapt to the changing nature of service delivery across the city and the changes in public sector financing.

The infrastructure will be delivered over the next 18 months decanting staff and services as elements become available with the final element being the customer facing areas which will decant in the latter quarter of 2014. The programme will achieve an 8:10 hot desking ratio and will seek to compress to 6:10 alongside the delivery of technological solutions to allow mobile working to take place. The expectation is that approx. 290 staff will be deemed mobile and as such will have ICT solutions to meet their needs. The remaining staff will be deemed flexible unless flagged for specific permanent desks. This arrangement will be delivered across the estate with all staff from the CEO down working in this way.

This provides the smallest operating cost at this time. This information is likely to change as the lease negotiations continue in an attempt to gain the most beneficial offer possible for the authority. As a result of this the paper seeks to have the delegated authority to agree the leases to be given to Cabinet Member for Finance in consultation with the Director of Corporate Resources.

The solution allows the public to have direct access to services in the city centre through the provision of a 'Front of house' through a commercial property along the same lines as a high street bank would provide. A preferred solution is being pursued and seen as appropriate, again these are subject to lease negotiations. The support elements are then located in a number of buildings which are either owned by the authority or leased. The aim was to cause minimal disruption to services and to sustain the economic links between the 1000 staff and the city centre.

### **13. Capital Requirements**

The capital requirements to achieve the programme are set out in the Part II report. This is spread across a large number of projects within ICT and the building environment. Revenue Requirements

Further to the capital requirements to deliver this programme of works, there will be a number of revenue costs immediately associated with decant of the Civic Centre. These are detailed in the Part II report.

### **14. Co-operative Scrutiny Board**

The Co-operative Scrutiny Board considered this matter on 21 August 2013 and endorsed the recommendations set out in this report. The minute of the Board is attached.

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