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Democratic Support

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#plymaudit

AUDIT COMMITTEE

Thursday 17 September 2015
2.00 pm
Council House, Plymouth

Members:

Councillor Parker-Delaz-Ajete, Chair
Councillor Sam Leaves, Vice Chair
Councillors Sam Davey, Murphy and Mrs Pengelly.

Independent Members:

Mr Clarke and Mr Stewart.

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

For further information on attending Council meetings and how to engage in the democratic process please follow this link <http://www.plymouth.gov.uk/accesstomeetings>

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 25 June 2015.

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. INDEPENDENT MEMBERS

For the Committee to confirm the appointment of Mr Clarke as Independent Member of the Audit Committee.

6. DIRECTOR OF CHILDREN'S SERVICES LOCAL ASSURANCE TEST REVIEW

(Pages 11 - 36)

Members will be provided with the DCS Local Assurance Test Review report.

7. ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA260 REPORT) 2014/15 INCLUDING VALUE FOR MONEY (VFM)

(Pages 37 - 74)

Members will be provided with the Annual Report to those Charged with Governance (ISA260 Report) 2014/15 including the Value for Money.

8. STATEMENT OF ACCOUNTS 2014/15

(Pages 75 - 172)

Members will be provided with the Statement of Accounts 2014/15.

9. STRATEGIC RISK AND OPPORTUNITY REGISTER MONITORING REPORT (Pages 173 - 188)

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

10. ANNUAL REPORT ON TREASURY MANAGEMENT ACTIVITIES FOR 2014/15 (Pages 189 - 206)

Members will be provided with the Annual Report on Treasury Management Activities 2014/15.

11. INTERNAL AUDIT - PROGRESS REPORT (Pages 207 - 224)

Members will be provided with the Internal Audit – Progress Report.

12. INTERNAL AUDIT - FOLLOW UP WORK (Pages 225 - 238)

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

13. REVIEW OF ROLLING WORK PLAN 2015/16 (Pages 239 - 242)

Members will be provided with their work plan for 2015/16.

14. EXEMPT BUSINESS

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

PART II (PRIVATE MEETING)

AGENDA

MEMBERS OF THE PUBLIC TO NOTE

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

NIL.

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Audit Committee

Thursday 25 June 2015

PRESENT:

Councillor Parker-Delaz-Ajete, in the Chair.
Councillor Sam Leaves, Vice Chair.
Councillors Sam Davey, Murphy and Mrs Pengelly.

Independent Members: Mr Clarke and Mr Stewart.

Also in attendance: Nicola Allen (Senior Category and Contract Manager), David Bray (Senior Audit Manager - Grant Thornton), David Curnow (Devon Audit Partnership), Chris Flower (Lead Accountant - Technical), Mike Hocking (Head of Corporate Risk and Insurance), David Northey (Head of Corporate Strategy), Greg Rubins (BDO) and Helen Wright (Democratic Support Officer).

The meeting started at 10.00 am and finished at 11.55 am.

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

1. TO NOTE THE CHAIR AND VICE CHAIR

The committee noted the appointment of Councillor Parker-Delaz-Ajete as Chair and Councillor Sam Leaves as Vice Chair for the forthcoming municipal year 2015/16.

2. DECLARATIONS OF INTEREST

Councillor Sam Leaves declared a private interest should any items refer to NHS information as she was employed by a NHS partner.

3. MINUTES

The committee agreed that the minutes of the meeting held on 26 March 2015 are confirmed as a correct record, subject to the inclusion of Malcolm Coe (Assistant Director for Finance) as being present.

4. CHAIR'S URGENT BUSINESS

There were no items of Chair's urgent business.

5. INTRODUCTIONS FROM NEWLY APPOINTED AUDITORS, BDO

Greg Rubins (BDO) provided a presentation on the external audit which highlighted the following main areas –

- (a) BDO was the fifth largest accountancy network providing a range of financial and advice services for both the private and public sectors;

- (b) the company regularly supported the sector with advise, research and industry events to such organisations as the Local Government Association, Solace, Cabinet Office and CIPFA;
- (c) the main current focus areas included -
 - commissioning and procurement;
 - service review and redesign;
 - strategic projects and commercialisation;
- (d) BDO had supplied external audit services to the Audit Commission for over 10 years;
- (e) the audit approach had been broken down into six phases, as follows -
 - transition;
 - planning and strategy;
 - execution;
 - opinion;
 - reporting;
 - feedback;
- (f) the potential issues and risks for 2015/16 included -
 - transformation/savings;
 - shared services and joint ventures;
 - accounting for schools;
 - integration of health and wellbeing;
- (g) there was a reduction of £45,000 in audit fees for 2015/16.

The committee thanked Greg Rubens for his presentation.

6. **INTERNAL AUDIT CHARTER/INTERNAL AUDIT STRATEGY**

David Curnow (Devon Audit Partnership) provided a report on the Internal Audit Charter and Strategy.

Members were advised that –

- (a) one of the requirements of the Public Sector Internal Audit Standards (PSIAS) was that the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter and strategy;
- (b) The PSIAS also set additional public sector requirements for both the internal audit charger and strategy, which included -

- the definition of the role of internal audit in any fraud related work;
 - inclusion of arrangements for avoiding conflicts of interest if internal audit undertook non-audit activities;
- (c) the revised Accounts and Audit Regulations 2015 came into effect from 1 April 2015; the changes to Internal Audit included -
- inclusion of compliance to the Public Sector Internal Audit Standards (PSIAS);
 - Inclusion of the remit of governance which included ethics within the audit.
- (d) both the Council's Charter and Strategy comply with the mandatory requirements of the Public Sector Internal Audit Standards;
- (e) delivery of the Internal Audit Service would be by Devon Audit Partnership (a shared services arrangement between Devon County Council, Plymouth City Council and Torbay Council) in accordance with the agreed Internal Audit Plan.

The committee noted the report.

7. **INTERNAL AUDIT ANNUAL REPORT - 2014/15**

David Curnow (Devon Audit Partnership) presented the Internal Audit Report 2014/15.

Members were informed that –

- (a) the report summarised the work undertaken by Devon Audit Partnership during 2014/15, reviewed the performance and effectiveness of the Internal Audit services and provide an audit opinion on the adequacy of internal control;
- (b) the report was particularly relevant to the preparation of the authority's Annual Governance Statement which was required under the Accounts and Audit (England) Regulation 2015.

In response to questions raised by Members, it was reported that –

- (c) the misuse of IT equipment related to staff using the Council's assets for their own personal gain;
- (d) the term 'hard federation' related to shared governance of a new governing body;
- (e) there had been a couple of data breaches which had previously been reported to the committee;

- (f) it had not been appropriate in 2014/15 to undertake an audit of Public Health, although there would be a level of work to audit in 2015/16;
- (g) the percentage of staff turnover reflected those members of staff transferring to other organisations and the year on year requirement to reduce staffing by 10%;
- (h) the level of staff sickness had increased slightly on previous years which may need to be reviewed;
- (i) there was still concern that there was residual risk relating to the CareFirst duplicate payments; although testing had been undertaken it had not been possible to carry out wider testing due to the change in systems and processes; a new system had been implemented which would need to be tested in the future as a separate audit exercise.

The committee noted the report.

8. **RISK AND OPPORTUNITY MANAGEMENT 2015 - 2017 AND ANNUAL REPORT**

Mike Hocking (Head of Corporate Risk and Insurance) provided the Risk and Opportunity Management Strategy 2015/2017 and the Risk Management Annual Report.

Members were informed that –

- (a) the report summarised the work which had been carried out during 2014/15, in order to develop the Council's approach to risk and opportunity management, which covers the following -
 - Corporate and Operational Risk Management Groups;
 - Risk and Opportunity Management Strategy;
 - Risk and Opportunity Registers;
 - Annual Governance Statement;
 - Information Lead Officer Group (ILOG);
 - Transformation Project;
 - Integrated Assurance Project;
 - Focus for 2015/16;
- (b) there was good evidence of the development of a risk management culture within the Council with proactive engagement of Members, Directors, Heads of Service and senior operational managers; this culture was supported by a mandatory assessment of risk management performance as part of the Competency Framework annual appraisal process;
- (c) the Council had a well-developed and proven risk management process in place which had been integrated into business planning, budget, transformation and project management.

In response to questions raised by Members, it was reported –

- (d) the Civil Protection Unit co-ordinated the Council's response to major incidents both internal and external and worked with partners such as the MOD, Devon and Cornwall Police and Devon and Somerset Fire Service; the emergency plans were regularly tested with such exercises as Short Sermon;
- (e) the Council had been involved in several major incidents, such as the gas explosion in Southway and had received a special award relating to how it had dealt with the emergency working together with other agencies;
- (f) there were directorate champions which had been trained to ensure that all members of staff were aware of their ability to include risks on the risk register.

The committee noted the reported, endorsed the Risk and Opportunity Management Strategy 2015 – 17 and agreed to invite a member of the Civil Protection Service to a future meeting of the committee to provide an explanation of its role and responsibilities.

9. **OPERATIONAL RISK AND OPPORTUNITY MANAGEMENT UPDATE REPORT**

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

Members were advised that –

- (a) in order to support the delivery of the city's vision and to enable the provision of high quality services to the residents and communities of Plymouth, it was imperative that effective risk management arrangements were in place; a fundamental element of corporate governance, a risk managed approach to decision making would enable the Council to achieve its objectives and deliver services more efficiently and cost effectively;
- (b) the management of risk principles and processes equally applied at operational level, supporting improved performance, integration with business planning projects, change programmes and partnerships;
- (c) 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;
- (d) the total number of operational risks reported had increased from 110 to 116, which comprised of two high (red) risks, 50 medium (amber) risks and 64 low (green) risks.

The committee noted and endorsed the current position with regard to the operational risk and opportunity management.

10. **ANNUAL GOVERNANCE STATEMENT 2014/15**

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

Members were informed 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 2014/15 for publication with the Annual Statement of Accounts;
- (b) the purpose of the AGS was to provide evidence of a continuous review of the Council's internal control and risk management processes, to provide assurance, as to their effectiveness and to identify actions being taken or planned to address any key weaknesses identified;
- (c) the purpose of the AGS was to provide evidence of a continuous review of the Council's internal control and risk management processes, to provide assurance as to their effectiveness and to identify actions being taken or planned to address any key weaknesses identified;
- (d) the report provided an opinion on the effectiveness of the internal audit system for the same period.

The committee noted the process adopted for the production of the 2014/15 Annual Governance Statement and agreed to -

- (1) endorse the adequacy and effectiveness of the internal audit system;
- (2) approve the Annual Governance Statement prior to signature by the Leader, Chief Executive and Assistant Director for Finance (Section 151 Officer).

11. **INFORMATION GOVERNANCE ANNUAL REPORT**

Mike Hocking (Head of Corporate Risk and Insurance) presented the Information Governance Annual Report.

Members were informed that –

- (a) the report provided a summary of the work that had 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;

- (b) the Council had won the Association of Local Authority Risk Managers (ALARM) Strategic Risk Award for its corporate information governance strategy and the revised approach it had implemented to improve its information governance resilience and ensure legislative compliance.

The committee took the opportunity to congratulate all those involved in winning this award.

In answer to a question raised by the committee, it was reported that all members of staff had been required to complete an e-learning data protection course. Staff would also be required to undertake a shorter refresher course on an annual basis. New members of staff would also be required to complete the full course. Development work was being undertaken to deliver a similar package for Members to complete.

The committee noted and endorsed the current position with regard to the action of the Information Lead Officers Group.

12. **CONSTITUTIONAL CHANGES IN RELATION TO CONTRACT STANDING ORDERS AND FINANCIAL REGULATIONS**

Nicola Allen (Senior Category and Contract Manager) presented the report on Constitutional Changes in relation to Contract Standing Orders and Financial Regulations.

Members were advised that –

- (a) on 17 April 2014, a new EU procurement directive had been adopted by the European Commission; all EU member states were required to implement the directive into national Law within two years of the adoption date; the Directive had been transposed into UK law (Public Contracts Regulations) which came into force on 26 February 2015;
- (b) the main purpose of the EU public procurement regime was to open up the public procurement market to competition and ensure the free movement of supplies, services and works within the EU; the EU rules reflect and reinforce the value for money focus of the UK government's public procurement policy;
- (c) in addition the Lord Young Reform had been introduced to create a small and medium enterprises (SMEs) friendly market for public procurement by removing the barriers to entry through a standardised Pre- Qualification questionnaire (PQQ) and a single website, Contracts Finder, to source advertised opportunities;
- (e) taking into account all of the changes the Council's Contract Standing Orders and Financial Regulations had been updated to cover the following -
 - changes to legislation;

- increase to the Council's low value procurement thresholds from £100k to £150k for goods and services from £200k to £2m for works to ensure that suppliers are sourced locally where possible via an RFQ process rather than nationally advertised opportunities on Contracts Finder;
 - tender opportunities advertised on Contracts Finder as well as the Council's procurement portal, supplying the south west;
 - purchasing card limits had been updated in line with the purchasing card policy and practice;
 - purchase order authorisation limits had been increased;
 - enhancement of contract management;
- (f) by increasing the Council's low value procurement thresholds it would be able to target local suppliers and micro, small and medium enterprises (SMEs). This would enable delivery of the Council's pledges as well as supporting the objectives of the Fairness Commission.

The committee agreed to recommend to the City Council that the –

- (1) Contract Standing orders which form Part H of the Constitution are updated in line with the Public Contracts Regulations 2015 and in support of the Council's localism agenda;
- (2) Financial Regulations which form Part H of the Constitution are updated in line with the purchase order authorisation and purchase card limits.

13. **TREASURY MANAGEMENT PRACTICES, PRINCIPLES AND SCHEDULES 2015/16**

David Northey (Head of Corporate Strategy) presented the Treasury Management Practices, Principles and Schedules 2015/16.

Members were advised that –

- (a) the Local Government Act, 2003 required the Council to set out its Treasury Management Policy, Treasury Management Strategy for borrowing and the preparation of an Annual Investment Strategy;
- (b) the Council's Treasury Management Policy and the Strategy for 2015/16 had been approved by City Council on 23 February 2015;
- (c) it was a requirement of the adopted CIPFA Code of Practices on Treasury Management that practices, principles and schedules were in place to ensure the Council's policy was adhered to and that

working practices and controls were in place to meet the approved strategy and to fully report activities to this committee and City Council.

The committee agreed to approve the Treasury Management Practices, Principles and Schedules for 2015/16.

14. **EXTERNAL AUDIT PLAN PROGRESS REPORT**

David Bray (Senior Audit Manager - Grant Thornton) presented the External Audit Plan progress report.

Members were advised 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 their responsibilities;
- (b) the external audit fees had increased in 2013/14 by £1070 to reflect the additional work that was required on business rates balances; the total audit fee for the Council was £182,498;
- (c) the 2014/15 Audit Plan had been presented to the committee at its meeting held on 26 March 2015; the plan set out the understanding of the risks affecting the external auditor's opinion on the Council's financial statements and its value for money conclusion together with an outline of the work that would be undertaken to address these issues;
- (d) it was intended to provide the findings of the 2014/15 final accounts audit to the committee on 17 September 2015.

In response to questions raised by Members, it was report that –

- (e) officers were confident that the plans and processes already implemented would enable the accounts for 2014/15 to be completed and available for consideration by the committee at its September meeting.

The committee noted the report.

15. **AUDIT COMMITTEE WORKPLAN 2015/16**

David Northey (Head of Corporate Strategy) provided an update on the committee's work plan for 2015/16.

Members were informed that the work plan would be submitted to the September meeting of the committee which would set out the schedule for the next 15 months including the key reports.

Following discussions the committee agreed to review the time of meeting with a view to moving the meeting to 2pm instead of 10am.

The committee further agreed to hold a training session (date to be confirmed) and a pre meet prior to the September meeting of the committee in order to review the Statement of Accounts 2014/15 with Grant Thornton.

16. **EXEMPT BUSINESS**

There were no items of exempt business.

17. **STATEMENT OF ACCOUNTS 2014/15**

Chris Flower (Lead Accountant - Technical) presented the Statement of Accounts 2014/15.

Members were informed that –

- (a) the report outlined the Council's revenue and capital outturn for the 2014/15 financial year which was reported to Cabinet on 9 June 2015;
- (b) the report details the timetable and key issues in relation to the production of the statutory form of accounts (the Statement of Accounts) which the Council was required to produce for audit and publication and reported the progress towards the requirement to prepare the pre-audited accounts by 30 June 2015;
- (c) the Accounts and Audit Regulations required that the accounts were available for public inspection for four weeks commencing on 22 June 2015 (the external audit commenced on 15 June 2015);
- (d) the report also detailed progress towards the completion of the action plan agreed to implement the recommendations made by the auditor following the audit of the 2013/14 Statement of Accounts.

In response to questions raised by Members, it was reported that –

- (e) the cost of replacing the Tamar Bridge and been reduced by £80m; (the Council's share £40m); discussions were being held with Cornwall Council to ascertain how this could be substantiated;
- (f) appeals relating to adult social care individual assessments which occur at the time that the accounts were being closed down would be considered in the next financial year;
- (g) there had been an increase in the pension liability due to an increase in the future obligations of £146m following a change in the financial assumptions used by the actuaries.

The committee noted the report.

PLYMOUTH CITY COUNCIL

Subject:	Director of Children's Services Local Assurance Test Review
Committee:	Audit Committee
Date:	17 September 2015
Cabinet Member:	Councillor McDonald
CMT Member:	Tracey Lee, Chief Executive
Author:	Alison Botham (Assistant Director, Children Young People and Families) Siobhan Wallace (Acting Head of Service, Children Young People and Families)
Contact details	alison.botham@plymouth.gcsx.gov.uk
Key Decision:	No
Part I:	Yes

Purpose of the report:

This report explains the reason for and purpose of the Director of Children's Services (DCS) assurance test. It explains the review of the assurance test undertaken this year following the People Directorate review and the OFSTED inspection of Children's Services.

The report presents the audit of the assurance test undertaken by Devon Audit Partnership and the recommendations and actions to be undertaken by PCC in response to the audit, for information and note.

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

The DCS assurance test being undertaken contributes to Plymouth's aspiration of becoming a "Brilliant Co-operative Council" through its support of the Caring objective within the Corporate Plan. The assurance test specifically supports the outcomes "We will prioritise prevention" and "Children, young people and adults are safe and confident in their communities" which are supported by the Children's Services Improvement Plan and the Plymouth Children's Safeguarding Improvement Plan within which this action and related activity sits.

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

None identified

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

- Child Poverty
- Community Safety
- Health and Safety

- Risk Management

The DCS assurance test is undertaken to ensure that the focus on outcomes for children and young people are not be weakened or diluted as a result of adding other responsibilities to the role of Director of Children’s Services.

The role of DCS includes ensuring a wide range of outcomes are achieved for vulnerable children and families, the majority of which relate to addressing issues of risk management, health and safety, community safety or child poverty.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? No

Recommendations and Reasons for recommended action:

1. Members note the DCS Assurance Test has been reviewed and revised using a risk assessment framework.
2. Members note that Devon Audit Partnership have audited this work and made recommendations that officers are implementing.

Alternative options considered and rejected: None

Published work / information:

The Department for Education guidance “Statutory guidance on the roles and responsibilities of the Director of Children’s Services and Lead Member for Children’s Services” (April 2013)
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/271429/directors_of_child_services_-_stat_guidance.pdf

Background papers:

Title	Part I	Part II	Exemption Paragraph Number							
			1	2	3	4	5	6	7	
Internal Audit Report Director of Children’s Services Local Assurance Test Review										

Sign off: comment must be sought from those whose area of responsibility may be affected by the decision, as follows (insert references of Finance, Legal and Monitoring Officer reps, and of HR, Corporate Property, IT and Strat. Proc. as appropriate):

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1.0 Introduction

The Plymouth City Council (PCC) Senior Management structure is such that the single role of Strategic Director for People encompasses the duties of Directors of Children’s and Adult’s Services.

The Department for Education guidance “Statutory guidance on the roles and responsibilities of the Director of Children’s Services and Lead Member for Children’s Services” (April 2013). This guidance sets out the expectations for local authority DCSs; their appointment, role and responsibilities in relation to education and children and young people’s services.

Section 6, entitled *Additional Functions not related to Local Authority children’s services*, states that “local authorities should undertake a local assurance test so that the focus on outcomes for children and young people will not be weakened or diluted as a result of adding such other responsibilities”.

1.1 PCC Structure

In 2012 PCC combined the role of the DCS and the Director for Adult’s Services, and created the People Directorate. In 2014, a review of the Directorate was undertaken and it was restructured at the beginning of 2015.

2.0 PCC DCS Assurance Test

A template for the local assurance test has been obtained from another Local Authority and completed by the Assistant Director for Children, Young People and Families. The Local Assurance Test document is split into six sections which contain a total of 13 questions. These are designed to confirm that the role of Director of Children’s Services and its key responsibilities are being sufficiently resourced and addressed.

The assurance test was first undertaken in 2013, and it was agreed that this should be reviewed this year, in light of the implementation of the People Directorate Review, as well as comments by Ofsted in their report on the Single Inspection published in January 2015.

The review was undertaken and completed in June 2015 and is contained within the audit report document.

3.0 Devon Audit Partnership audit of the assurance test

On completion of the updated assurance test, PCC commissioned the audit partnership to audit the test.

The report of the audit into the local DCS assurance test concluded-

Overall the responses address the majority of points outlined in the questions and the supporting evidence confirmed the information given. The supporting evidence was defined and then obtained in order to verify the detail within the answers. Sources of evidence, including the recent Ofsted report, PCC structure information and interviews/discussions with a cross section of around six staff, supported a number of the management responses.

In some cases it is felt that the response could be enhanced as the supporting evidence shows more compliance than had been recorded. There are also a number of questions that would benefit from inclusion of additional information such as information on data sharing (Question 4), recognition of capacity issues

(Question 7), delegation outlined within formal role profiles (Question 8) and recognition of how family views are incorporated into policy and practices (Question 9).

Whilst there may be potential to expand the answers provided or provide additional information, this review can confirm that the responses provided are suitably evidenced.

4.0 PCC Response to the Recommendations

Appendix A of the audit report includes a summary Internal Audit comment for each of the 13 questions. The following recommendations and actions are noted below:-

Q1. Are line management and accountability arrangements for safeguarding and the promotion of improved outcomes for children and young people clear and transparent and perceived to be working well?

The audit found that the evidence reviewed, supported by discussions with staff, confirmed there is a clear structure in place to provide line management and accountability at all levels and to promote improved outcomes for children. The management response references the Ofsted report as this is a key independent source of confirmation on how the service is working. The response makes specific reference to "*Leaders and Managers knowing the strengths and weaknesses which need to be addressed as a priority*". The audit report recommended-

- To include (very brief) key information on either those actions completed or still outstanding, or reference to the Improvement Plan within the management response.
- For an appraisal review meeting to take place with the Independent Chair of the PSCB in November 2015 (i.e. after 6 months of objective/target setting) to review progress.

Q4. Are the means by which the LA intends to deliver its children's services functions clear and understood by (i) staff (ii) partners (iii) councillors?

The audit found that the evidence reviewed, which included the Members area of the PCC Intranet and safeguarding presentations and also the discussions with staff, confirmed the response provided in relation to structures, referral systems and key relationships & processes. The audit report recommended-

- The management response needs to evidence information sharing agreements more fully. The presence of the Plymouth Safeguarding Board (PSCB) implies that actions have been taken in respect of data sharing but this needs to be evidenced, or addressed if not in place.
- That progress re work with partner agencies should continue to be monitored by the children's improvement board and the PSCB.

Q5. How are children's services functions reported and accountable to (i) the corporate organisation and (ii) the democratic structure? How effective is the scrutiny process and how involved are Members?

In undertaking the audit performance information was reviewed, which confirmed there is a clear level of data available for review, and this is presented to a number of audiences in order to enable the service to be held to account, this included operational management and Councillors. The audit report recommended-

- The effective running of the Safeguarding Assurance meetings in terms of evidencing improvements in outcomes and safeguards should continue to be reviewed and adjusted as appropriate.

Q9. How do the voices of children, young people and families inform and influence policy making and priorities for CYP and families.

The audit found that the management response identifies a number of avenues for the capture and integration of Children, Young People and Family (CYP&F) views into policy formation and whilst not all were reviewed, those that were, including Independent Reviewing Officers (IRO) reports, showed a wealth of information with which policy can be informed. The discussions with staff further cemented the view that there is ample opportunity for children to input into the service. Whilst overall there was nothing to contradict the management response, the input of parents and families into the policy making process and setting of priorities was highlighted as not being as strong as it could be. The question specifically makes reference to families as well as Children and Young People, the response provided does not clearly address how the views of the "wider" family are given suitable opportunities to be presented and incorporated into the service where relevant and possible. The report recommended-

- The Chair of the PSCB and the Shadow C&YP Board should develop formal working links and meeting schedules during 2015/16 to ensure the 'voice of the child' is fully embedded in the day to day work of the Board.
- Further work around the 10 Wishes will be undertaken during 2015/16 to seek the views of C&YP on whether in their view, agency commitments to the said wishes are being met.

Q10. Are the operational management and practice systems clear, understood and implemented?

The audit found that a comprehensive response has been provided to this question and the discussions with staff confirmed the sound basis of Supervision, Review and Learning & Development. Some concerns were raised over the capacity to carry out all of these so whilst in place there is a risk to the effectiveness of each. This links into previous responses and also the comments in the Ofsted report relating to staff caseloads being too high. Capacity has been recognised within the CSC Improvement Plan.

When discussed with staff there was clarity about the role of the LADO and what happens when the main appointed person is not present, again supporting the response provided.

In respect of the ability to protect vulnerable children from being drawn into terrorism, the review found a mixed response and the management response has not specifically addressed this point. Whilst training has been provided to some staff on this issue there is potential for further work to be done and the Local Assurance Test (LAT) document would benefit from recognising and including this.

The report recognised that capacity issues and that ensuring the operational management and practice systems are clear, understood and implemented will be monitored via the CSC Improvement Plan.

Q11. Is there a clear model for and offer of 'early help'?

The report found that the management response identified the work being undertaken in relation to

Early Help and this was clearly evidenced through the Integrated Health and Wellbeing Programme. The discussions with staff highlighted a high level of positivity towards the effectiveness of the CAF overall, again supporting the response given including Planning in Isolation.

The report recognised that ensuring a clear model for and offer of 'early help' will be monitored via the CSC improvement plan.

Q12. Is the PSCB effective and authoritative?

The report found that there is clear evidence in place as outlined in the management response that the PSCB is effective and authoritative. The management response was fully evidenced through the review of the Safeguarding Business Plan, PSCB minutes, the Post Review Improvement Plan, most recent Ofsted report and previous Internal Audit Reviews. The report recommended-

-PSCB Safeguarding Improvement Plan to be monitored by the Executive Group and a report on progress to be reported to the Full Board. PSCB to analyse results of the Schools Section 175/157 self-assurance audit during July/August 2015 and report findings to the Full Board in September 2015. PSCB Business Manager to identify and review future format, mechanism and timing for PSCB reporting to the Children's Partnership and Council Scrutiny Committee.

These include actions for the PSCB, which will be passed to the Independent Chair to ensure completion and oversight.

It is recognised that the work-streams and actions in Qs 4, 5, 9, 10, and 11 (work with partner agencies around referral systems, scrutiny from the Improvement Board and Safeguarding Assurance meeting, embedding responses to the 10 Wishes, addressing capacity issues, ensuring the quality of supervision, and development of the early help offer) are already contained within the CSC Improvement Plan, and subject to robust monitoring and scrutiny. Therefore additional actions in relation to these recommendations are not required.

Outstanding Actions:-

1. An overarching action, in response to the audit report's comments across several areas, requires the management response to the assurance test to be reviewed. Further information will be included to provide supporting evidence to enhance responses in the areas identified above. The evidence will be reviewed as part of the appraisal process by the Chief Executive and Strategic Director People.
2. The audit report should be shared with the Independent Chair of the PSCB. This will be done by sharing the updated version with the chair of the PSCB in October 2015.
3. Since completion of the audit report, all CYPFS staff have been offered an online training course on the prevention of terrorism. Staff training needs in this area will be kept under review by agency leads in the light of a rapidly changing landscape. This information will be included in the updated management response, as in point 1 above.
4. Work around data sharing agreements is being undertaken alongside the early help offer and development of the gateway. A specific update and this work will be provided through the Children Service Improvement plan monitoring.



devon **audit** partnership

Internal Audit Report

Director of Children's
Services Local Assurance
Test Review

People Directorate
Plymouth City Council

August 2015

OFFICIAL



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1 Introduction

The Plymouth City Council (PCC) Senior Management structure is such that the single role of Strategic Director for People encompasses the duties of Directors of Children's and Adult's Services.

The Department for Education guidance "Statutory guidance on the roles and responsibilities of the Director of Children's Services and Lead Member for Children's Services" (April 2013), Section 6 entitled *Additional functions not related to Local authority children's services*, states that "*local authorities should undertake a local assurance test so that the focus on outcomes for children and young people will not be weakened or diluted as a result of adding such other responsibilities*".

A template for the local assurance test has been obtained from another Local Authority and completed by the Assistant Director for Children, Young People and Families. The *Local Assurance Test* document is split into six sections which contain a total of 13 questions. These are designed to confirm that the role of Director of Children's Services and its key responsibilities are being sufficiently resourced and addressed.

2 Executive Summary

Overall the responses address the majority of points outlined in the questions and the supporting evidence confirmed the information given. The supporting evidence was defined and then obtained in order to verify the detail within the answers. Sources of evidence, including the recent Ofsted report, PCC structure information and interviews/discussions with a cross section of around six staff, supported a number of the management responses.

In some cases it is felt that the response could be enhanced as the supporting evidence shows more compliance than had been recorded. There are also a number of questions that would benefit from inclusion of additional information such as information on data sharing (Question 4), recognition of capacity issues (Question 7), delegation outlined within formal role profiles (Question 8) and recognition of how family views are incorporated into policy and practices (Question 9).

Whilst there may be potential to expand the answers provided or provide additional information, this review can confirm that the responses provided are suitably evidenced. Appendix A of this report includes a summary Internal Audit comment for each of the 13 questions. The questions are shown in Appendix B which is the full Local Assurance Test document including PCC management responses.

3 Scope and Objectives

The key objective of this piece of work was to verify the document drafted to support the Director of People in evidencing the ability to carry out the Dual Hat Role of Director of Children's Services (DCS) and Director of Adult Services (DAS).

In order to achieve this we reviewed relevant supporting evidence for the '*DCS Local Assurance Test*' document' to ensure it corroborates the statements made and conclusions drawn. As well as documentary evidence we discussed aspects of the return with operational staff and management.

4 Inherent Limitations

The opinions and recommendations 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.

5 Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit.

Robert Hutchins
Head of Partnership

DRAFT

Detailed Observations

Question (Local Assurance Test Document)	Comments on Management Responses
1.	The evidence reviewed, which included (Plymouth City Council) PCC staffing structure information and the January 2015 Ofsted report, supported by discussions with staff, confirmed there is a clear structure in place to provide line management and accountability at all levels and promote improved outcomes for children. The Management response references the Ofsted report as this is a key independent source of confirmation on how the service is working. The response makes specific reference to “ <i>Leaders and Managers knowing the strengths and weaknesses which need to be addressed as a priority</i> ”. In light of this it may have been prudent to include (very brief) key information on either those actions completed or still outstanding, or reference to the Improvement Plan. This would have provided further support to the acknowledgement of issues and the work to address them, in turn increasing the transparency of the response and the perceptions of how well it was working.
2.	The discussions held with a cross section of staff found them able to articulate their understanding of the management structure and resulting line managers. Those with whom this was discussed also commented on the accessibility of management and were happy that they could raise issues and concerns if needed through both formal and informal processes.
3.	The Ofsted report did not include any concerns and previous Internal Audit work had not highlighted any issues relating to the integrity and coherence of the service structure. When discussed with staff there was a clear response that the structure did not impact on their ability to perform their duties, however, some concerns over capacity were raised.
4.	The evidence reviewed, which included the Members area of the PCC Intranet and safeguarding presentations and also the discussions with staff, confirmed the response provided in relation to structures, referral systems and key relationships & processes. Commissioning was covered in question 2 but the response omits to answer the bullet point regarding information sharing agreements, so whilst the majority of areas have been covered and supporting evidence confirmed, the management response is considered incomplete. The presence of the Plymouth Safeguarding Board (PSCB) implies that actions have been taken in respect of data sharing but this needs to be evidenced, or addressed if not in place.
5.	Performance information was obtained from the Policy, Performance & Partnerships Team and then reviewed which confirmed there is a clear level of data available for review, and this is presented to a number of audiences in order to enable the service to be held to account, this included operational management and Councillors.

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Question (Local Assurance Test Document)	Comments on Management Responses
6.	The Local Authority has taken a number of steps to make all linked services aware of safeguarding standards and practices. The safeguarding website contains a number of publications and information and the Authority has gone out to visit other organisations as identified in the management response. The PSCB is a multi-agency board so the varied membership allows consistency of messages to be sought and also provides a wide-ranging reach through one forum.
7.	There is a clearly evidenced and experienced management structure in place within the PCC People Directorate. The Management response to this question highlights some of the key responsibilities of the DCS and accountability for these, raising no capacity concerns at present. However, it must be recognised that there will always be pressure on capacity due to the nature of the combined role and at all levels due to budgetary constraints.
8.	Delegation to the Assistant Directors ensures suitable seniority and the management response to this question identifies that this does occur. The response could be strengthened by referencing the receipt of delegation of activities/functions which should be outlined in the role profiles for the Assistant Director posts.
9.	The management response identifies a number of avenues for the capture and integration of Children, Young People and Family (CYP&F) views into policy formation and whilst not all were reviewed, those that were, including Independent Reviewing Officers (IRO) reports, showed a wealth of information with which policy can be informed. The discussions with staff further cemented the view that there is ample opportunity for children to input into the service. Whilst overall there was nothing to contradict the management response, the input of parents and families into the policy making process and setting of priorities was highlighted as not being as strong as it could be. The question specifically makes reference to families as well as Children and Young People, the response provided does not clearly address how the views of the “wider” family are given suitable opportunities to be presented and incorporated into the service where relevant and possible.
10.	A comprehensive response has been provided to this question and the discussions with staff confirmed the sound basis of Supervision, Review and Learning & Development. Some concerns were raised over the capacity to carry out all of these so whilst in place there is a risk to the effectiveness of each. This links into previous responses and also the comments in the Ofsted report relating to staff caseloads being too high. Capacity has been recognised and the comments signpost the CSC Improvement Plan. When discussed with staff there was clarity about the role of the LADO and what happens when the main appointed person is not present, again supporting the response provided. In respect of the ability to protect vulnerable children from being drawn into terrorism, the review found a mixed response and the management response has not specifically addressed this point. Whilst training has been provided to some staff on this issue there is potential for further work to be done and the Local Assurance Test (LAT) document would benefit from recognising and including this.

Question (Local Assurance Test Document)	Comments on Management Responses
11.	The response identified the work being undertaken in relation to Early Help and this was clearly evidenced though the Integrated Health and Wellbeing Programme. The discussions with staff highlighted a high level of positivity towards the effectiveness of the CAF overall, again supporting the response given including Planning in Isolation.
12.	There is clear evidence in place as outlined in the management response that the PSCB is effective and authoritative. The management response was fully evidenced through the review of the Safeguarding Business Plan, PSCB minutes, the Post Review Improvement Plan, most recent Ofsted report and previous Internal Audit Reviews.
13.	The management response is clear on the links to Multi Agency Public Protection Arrangements (MAPPA), Multi Agency Risk Assessment Conferences (MARAC) and the integration of the Youth Offending Team. There is a clear strength in respect of partnerships obtained through the work on integrated commissioning. The Ofsted report, as highlighted in the management response, is clear on there being a well-developed Joint Strategic Needs Assessment. Therefore through the review of IHWB information, the Ofsted Report and discussions with staff the response has been verified.

Completed Local Assurance Test

Assurance Parameters	Key Questions	Evidence provided in 2015	Risk Assessment	Remarks / Action Plan
<p>Clarity about how senior management arrangements ensure that the safety and the educational, social and emotional needs of children and young people are given due priority and how they enable staff to help the local authority discharge its statutory duties in an integrated and coherent way.</p>	<p>1. Are line management and accountability arrangements for safeguarding and the promotion of improved outcomes for children and young people clear and transparent and perceived to be working well?</p>	<p>The Assistant Director (AD) for the newly formed CYP&FS reports directly to the Director for People (DCS). AD CYPF has accountability for operational children in need, children in care and child protection services, care leavers and those offending or at risk of offending, as well as troubled families. These services focus on safety and improving outcomes for children. AD for Learning and Communities is a direct report to the Director of People, and provides the key link through school improvement to supporting the effective deployment of safeguarding responsibilities in school settings, including operational responsibility for the virtual head, in addition the children with disabilities social work service and other SEND services report to the AD for Learning and Communities. These services report to one Head of Service and appropriate social care supervision arrangements are in place for the HOS. This part of the service evidenced good practice when the Ofsted SIF was undertaken in Oct/Nov 2014. In addition the SIF specifically commented that senior managers, leaders and elected members discharge their individual and statutory responsibilities. 'Leaders and managers know the strengths and weaknesses which need to be addressed as a priority.....The DCS and senior managers are visible to staff, are respected and take an active role in quality assurance.' The Chief Executive appraises the independent chair of PSCB. All priorities are informed by the four Integrated Commissioning Strategies that are now in place, with the Best Start in Life Strategy for children and young people.</p>	<p>Good</p>	<p>Appraisal review meeting to take place in November 2015 (i.e. after 6 months of objective/target setting) to review progress.</p>
	<p>2. Are staff able to understand and articulate the line of accountability and know where in the management structure to go with a concern about safeguarding, unsafe practice and 'whistleblowing'.</p>	<p>Accountabilities within the new service areas in the people directorate are clear, and staff do understand their line management accountabilities. NQSW's and other new staff (who attend some of the NQSW learning sessions) receive training from the LADO as part of their induction. The</p>	<p>Good</p>	

Assurance Parameters	Key Questions	Evidence provided in 2015	Risk Assessment	Remarks / Action Plan
		<p>allegations management process is discussed and staff are made aware of who to report concerns to, how to access the SWCPP and PSCB websites for reference. LADO presentation at joint service training sessions between CSC and Early Years providers in 2014.</p> <p>Commissioning arrangements are robust in monitoring the effectiveness of safeguarding arrangements by providers. ' Whistleblowing', child protection procedures and HR policies to support this are required as part of the terms and conditions of contract and tested at tender. As part of the selection process providers have to undertake a pre-qualification process, which tests their policies and processes, including safeguarding, and safer recruitment. Non-compliant bids will not progress within a tender and providers who fail this area are not selected. As part of contract monitoring processes there is an ongoing focus on Safeguarding and swift action is taken to ensure robust improvement plans as soon as concerns are raised.</p> <p>Procedures are up dated, and PSCB procedures, and responsibilities are up to date, and audited through the S11 audits on a regular basis. The PSCB also runs effective training, and has established a new framework for evaluating the impact across all agencies. The most recent staff survey highlighted an issue that a high proportion of staff, outside the people directorate, do not understand their safeguarding responsibilities. The corporate Safeguarding Improvement Plan has a specific section on ensuring all council staff, and members are aware of their safeguarding responsibilities. This section has been up dated specifically in light of the staff survey findings. The SIP is updated annually and monitored through quarterly Safeguarding assurance meetings.</p>		
	<p>3. Has the integrity and coherence of the structure been 'tested' to ensure fitness for purpose? Can staff confirm that the structure does not impact negatively on them performing their functions or duties?</p>	<p>As set out above the recent Ofsted SIF does suggest that we are aware of the areas where we need to improve, and they did not set out any issues in relation to the structure of services that suggest they are not fit for purpose. As well as managing individual cases safely and appropriately, there have been a number of operations involving multiple children, and</p>	<p>Good</p>	

Assurance Parameters	Key Questions	Evidence provided in 2015	Risk Assessment	Remarks / Action Plan
		<p>challenging situations including trafficking that have demonstrated robust responses, planning and arrangements are in place. For example operation Triage, as well as joint work with adults safeguarding that was commended in court.</p>		
<p>Clarity about how the local authority intends to discharge its children’s services functions and be held accountable for them from political, professional, legal and corporate perspectives (including where, for example, services are commissioned from external providers or mutualised in an arm’s length body)</p>	<p>4. Are the means by which the LA intends to deliver its children’s services functions clear and understood by (i) staff (ii) partners (iii) councillors? i.e. * Are delivery structures clear and coherent? * Are critical factors e.g. referral systems, equalities, threshold criteria shared and understood by staff and partners? * Are key relationships and processes around safeguarding, child protection and children in need shared; understood and effectively implemented? * Are staff in Commissioning clear about relationships and processes within CSC? * Are information sharing agreements in place and supported as necessary by multi-agency training?</p>	<p>Staff, partners and councillors are clear about the structures, and how services deliver their functions and responsibilities. Effective induction is provided for all new starters - see above. Specific induction and training is provided for councillors. This includes specific sessions in relation to safeguarding responsibilities, and their role as corporate parents. The Ofsted SIF commented and recognised that corporate parenting responsibilities are well understood and embedded in Plymouth.</p> <p>It is clear that referral arrangements and the work of the AAS team are well understood across the partnership, however there are concerns about how well thresholds are understood by partners, and the through the PSCB and piece of joint work is being undertaken to address this. A report on this work will be provided to the board. The appropriate and necessary relationships and processes are in place, and the PSCB is supporting work to improve the contributions of key partners including the police and GPs in attendance at CPCs and effective contributions to other processes such as strategy meetings and discussions. Regular reports are being provided to the PSCB, and targets have been set for key agencies.</p>	<p>Requires improvement</p>	<p>Progress re work with partner agencies will be monitored by the children’s improvement board and the PSCB</p>
	<p>5. How are children’s services functions reported and accountable to (i) the corporate organisation and (ii) the democratic structure? How effective is the scrutiny process and how involved are Members?</p>	<p>The established performance framework ensures that there is regular consideration and analysis in service, and reporting to the DCS, DMT, CMT, and the cabinet member. There is a Corporate Safeguarding Improvement Plan which contains actions for CYPFS, ASC and the council as a whole. In 2015-16 this also contains the Children’s Services Improvement Plan from the OFSTED inspection required actions. The CSIP is led by the ADs and subject to scrutiny and challenge at a quarterly Safeguarding Assurance Meeting, attended by the DCS, Chief Exec, PSCB Chair, Portfolio Holders, and Leader of the Council.</p>	<p>Good</p>	<p>The effective running of the Safeguarding Assurance meetings in terms of evidencing improvements in outcomes, and safeguards will continue to be reviewed and adjusted as appropriate.</p>

Assurance Parameters	Key Questions	Evidence provided in 2015	Risk Assessment	Remarks / Action Plan
	<p>6. How is the LA requirement in relation to safeguarding standards and practices articulated, evidenced and implemented in commissioned and 'arm's length' services? What early warning indicators can trigger a review?</p>	<p>PCC has met the PSCB Safer Employment Quality Standard. PSCB Business Manager has developed safer recruitment guidance for PCC, commissioned services and other organisations. The document is available to the public on both the PCC and PSCB websites. The LADO has delivered allegations management training to prospective peninsula providers (i.e. Children’s Homes, 16+ providers, foster carers etc.) The LADO has recently met with commissioners and one particular children's home provider to deliver bespoke training and learning around the allegations management process in direct response to contract concerns.</p> <p>Providers of regulated services such as residential providers, fostering providers and special schools are required to notify the commissioning team and the relevant social worker of any incidents under regulation 4 and 5 of the minimum standards. Local Authorities share information about provider performance and work closely with Ofsted Inspectors, who attend quarterly Peninsula Meetings to share intelligence on provider performance. When there are performance or safeguarding concerns, local authority officers visit sites and meet with managers to ensure robust improvement plans that are monitored by the Peninsula Board Members. If a provision fails its Ofsted Inspection, they are automatically suspended from the provider list.</p>	<p>Good</p>	
<p>The seniority of and breadth of responsibilities allocated to individual post holders and how this impacts on their ability to undertake those responsibilities (especially where a local authority is considering</p>	<p>7. Does the management structure recognise and allocate capacity to the key functions of the DCS to ensure that these can be effectively discharged and are relationships working well?</p>	<p>The Strategic Director for People carries a range of responsibilities that include: Integrated Commissioning and the joint responsibility with the CCG for a fully pooled budget; ADASS role, commissioning of Adult Social Care provision; all statutory housing responsibilities; neighbourhoods and community safety. The senior management structure is agreed at full council. The management structure ensures capacity is in place, and specific working arrangements to ensure these functions are fulfilled. These include performance monitoring arrangements and regular reports to the DCS. DCS is a full member of the PSCB, and ensures effective links within the Health and Wellbeing Board, and Children's Partnership. In addition the DCS has a programme of meetings, observations</p>	<p>Good</p>	

Assurance Parameters	Key Questions	Evidence provided in 2015	Risk Assessment	Remarks / Action Plan
allocating any additional functions to the DCS and LMCS posts)		and visits, that ensure they are sighted and in touch with front line practice and practitioners. The chief executive, cabinet member and DCS meet with frontline staff twice a year. The oversight and understanding of how the DCS undertakes all other responsibilities, and maintains capacity to fulfil these statutory responsibilities is overseen by the chief executive through regular 1-1s, and the appraisal arrangements that ensure review twice a year.		
	8. Where key functions are delegated, is the scope of delegation clear and does the relevant post holder hold the appropriate level of seniority both departmentally and corporately?	As sited above the DCS is a full and active member of the PSCB, however the AD also sits on the PSCB exec, and has the corporate lead for children's safeguarding. Appropriate and considered decisions are made in relation to operational responsibilities, for example when there have been silver or gold operations with the police a case by case decision will be made between the AD and DCS about when it is appropriate to delegate to the AD. When appropriate and necessary there will be daily briefings, discussions, and joint agreement between the DCS and AD, communication is responsive, and swift as necessary.	Good	
The involvement and experiences of children and young people in relation to local services	9. How do the voices of children, young people and families inform and influence policy making and priorities for CYP and families.	<p>All children and young people over 4 years old involved in the CP process or in care have access to advocacy services. Feedback from the Advocacy and Independent Visiting services is considered at the quarterly contract monitoring meeting and informs service development. From April 2015, the Independent Chairs have provided quarterly reporting to the AD on themes and issues, with the expectation that this influences service planning, and this feedback reflects a strong focus on their IRO role in promoting the views and wishes of children and young people.</p> <p>Alongside this children and young people’s voice influence planning and commissioning is regularly sought through the Listening and Care Council, the young carers participation and through the commissioning of bespoke participation projects, such reports produced on alcohol and substance misuse, domestic abuse and key worker role for children with special educational needs. Information provided by these groups and</p>	Good	The Chair of the PSCB and the Shadow C&YP Board will develop formal working links and meeting schedules during 2015/16 to ensure the 'voice of the child' is fully embedded in the day to day work of the Board. Further work around the 10 Wishes will be undertaken during 2015/16 to seek the views of C&YP on whether in their view, agency

Assurance Parameters	Key Questions	Evidence provided in 2015	Risk Assessment	Remarks / Action Plan
		<p>projects has been utilised to influence the Children and Young People’s Commissioning Strategy and the future commissioning intentions.</p> <p>Young Inspectors have worked with other young people who have experienced child protection services, and at the end of 2014 undertook an inspection of our child protection, and conference arrangements. Results of this are being directly fed back to senior managers and actions agreed in response. The PSCB has established a Shadow Children & Young People’s Board facilitated by the PCC Youth Service. This group will become a formal sub group of the Full Board and the Chair of the PSCB will determine with young people the best mechanism for input and dialogue between the parties. Children & young people have been asked to identify their '10 Wishes' for working more positively in partnership with professionals in order to better support their needs and help ensure they are safeguarded and protected from potential harm. Agencies members to the PSCB have responded to the '10 Wishes' by identifying a joint commitment to each wish and identifying how they are currently meeting the wishes or intend to do so during the next 12 months. The '10 Wishes' and agency commitments are published on the PSCB website. In addition to the identification and support around the '10 Wishes', the Shadow Children & Young People’s Board have developed a DVD to support the PSCB multi-agency training programme. The DVD, produced and performed by young people, contains the thoughts, views, ideas and experiences of C&YP around the '10 Wishes', child sexual exploitation, sexual abuse, on line safety etc. These experiences will help practitioners to improve safeguarding practice and ensure safer outcomes for C&YP. The Shadow C&YP Board has produced a leaflet for C&YP around the serious case review process to explain how such a review will work, the input required from C&YP and how the learning will impact on their future safety and wellbeing. A similar exercise will be undertaken during 2015/16 to develop a LADO leaflet to explain the allegations management process to those C&YP who raise concerns.</p>		<p>commitments to the said wishes are being met.</p>

Assurance Parameters	Key Questions	Evidence provided in 2015	Risk Assessment	Remarks / Action Plan
<p>Clarity about child protection systems, ensuring that professional leadership and practice is robust and can be challenged on a regular basis, including an appropriate focus on offering early help and working with other agencies in doing so.</p>	<p>10. Are the operational management and practice systems clear, understood and implemented? i.e.</p> <ul style="list-style-type: none"> * Are timescales managed/adhered to? * Is there a culture of effective supervision? * Is there a culture of continuous learning & development? * Is there a system of routine line management QA of practice and decisions? * Are there effective offline assurance and audit systems in place? * What arrangements are in place to ensure that any allegations about those who work with children are passed to the designated officer(s)? * What arrangements are in place to protect vulnerable children from being drawn into terrorism? 	<p>Operational management arrangements and practice systems are clear and actions identified by the Ofsted SIF have been undertaken in relation to the recording of some management oversight in the Advice and Assessment Service. Work to improve the quality of practice and supervision is ongoing, and is set out in the post Ofsted service improvement plan.</p> <p>QA of children’s cases is well supported via the Independent Chairs and individual team managers. There is a quality assurance framework in place, which includes participation in multi-agency systems audits (MASAs) and the s11 audit undertaken by the PSCB. There is a well embedded system of monthly case audits undertaken by senior managers with partner agencies, which has been reviewed and refreshed in 2015. The frame work also includes regular audit of supervision records by service managers, audits of quality of assessments in line with a bespoke audit tool, and themed audits commissioned via CSCMT in response to emerging issues. The framework includes a focus on ensuring learning is disseminated, and practice and service improvements are monitored via CSCMT.</p> <p>Prevent training has been offered across the staff team and messages relating to the Prevent agenda are contained within the PSCB safeguarding training. The Safeguarding Service Manager attends the quarterly Channel Meeting and ensures that key staff, including foster carers, contribute to planning for any vulnerable children/young people identified. The IROs are vigilant in this area and ensure they seek young people’s views, using interpreters as appropriate, and referring up any concerns.</p> <p>Operational management and practice systems are provided via Tri-x online procedures and the Plymouth Children’s Safeguarding Board online procedures. These are supplemented by a comprehensive programme of single and multi-agency training.</p>	<p>Requires improvement</p>	<p>See the CSC improvement plan</p>

Assurance Parameters	Key Questions	Evidence provided in 2015	Risk Assessment	Remarks / Action Plan
		<p>Effective supervision is being driven by the newly developed framework “Quality Assuring Supervision in Children’s Social Care” with key milestones as detailed in the Service Improvement Plan (area 2).</p> <p>There is a culture of continuous Learning and Development and this is evidenced by the joint quality assurance of supervision files by the author of the supervision notes and their direct line manager which feeds into a conversation around learning and development needs of the author’s own supervision session. The collation of overall judgements by the Professional Development Service will ensure the service stays alert to any need for ongoing supervision training requirements.</p> <p>There is a named Local Authority Designated Officer (LADO) who is based in the Children, Young People and Families Service. The LADO works closely with the Advice & Assessment Team (based with them for three days per week) and the Independent Reviewing Officers who chair allegations management strategy meetings (AMSTRATS). Allegations Management Procedures are explained clearly in the South West Child Protection Procedures and the LADO has developed a series of leaflets to explain the process to organisations and individuals subject to concerns. The leaflets are published on the PSCB website and can be downloaded for distribution. The PSCB website contains a detailed flowchart explaining the allegations management process in easy to follow steps. The LADO has developed a model allegations management policy for schools within the city. The LADO provides advice, guidance, challenge and direction to agencies at AMSTRAT meetings, via a telephone helpline and face to face meetings. The LADO has delivered training to agencies and individuals around the allegations management process and general safeguarding practice - this includes schools (including governing bodies) nurseries, foster carers, sports groups, church groups, care providers etc.</p>		

Assurance Parameters	Key Questions	Evidence provided in 2015	Risk Assessment	Remarks / Action Plan
	<p>11. Is there a clear model for and offer of 'early help'? i.e.</p> <ul style="list-style-type: none"> * Is the CAF effectively implemented? * How do other services contribute to early help and do they understand the relevant systems and operate those? 	<p>The Plymouth Assessment Framework for Safeguarding Young People and their Families sets clear thresholds and expectations. The EIP Strategy supported the development of expectations of services to deliver the CAF and improve the tightening of quality assurance to reflecting good planning processes. However there have been some difficulties with the existing system, including services continuing to plan in isolation without sharing information and difficulties in ensuring the right service at the right time due to the myriad of service referral processes and thresholds. Consequently, reporting data continues to be a challenge and is limited to the information that is reported into the CAF Team by agencies. We know that this is not representative of the multi-agency work being undertaken across the system. A full review of existing processes has therefore been undertaken through the council’s transformation programme. This has resulted in a new Early Help Operating Model with the ambition to create better join up of the system through an Early Help Gateway for information and advice and support to assess need and coordinate support - to be fully implemented by September 2016. The Commissioning Strategy sets an ambition for integrating a graduated service offer to enable improved support planning, meeting need at the differing thresholds through a clear assessment of risk and protective facts influencing decisions for intervention. While the need for better co-ordination is being addressed there is much good and impactful provision in place this includes: Children Centres; the Family Group Conference provision through Family and Community solutions; the Family Intervention Project; the Intensive Support team in the youth service; and the Multi-Agency Support Team.</p>	<p>Requires improvement</p>	<p>See the CSC improvement plan.</p>
<p>The adequacy and effectiveness of local partnership arrangements (e.g. the local authority’s relationship with schools, the</p>	<p>12. Is the PSCB effective and authoritative?</p> <ul style="list-style-type: none"> * Is its structures and processes 'fit for purpose'? (i.e. does it have effective sub-committees to undertake detailed work. Are there effective Performance Management and Audit/Assurance systems?) * Do statutory and relevant voluntary agencies 	<p>Ofsted undertook a review of the effectiveness of the PSCB during October/November 2014. The PSCB was judged to be meeting the requirements of 'Working Together 2013' but requires improvement to be a good functioning board.</p> <p>The PSCB has drawn up a 'Safeguarding Improvement Plan' for 2015/16 in response to the Ofsted review. The PSCB has</p>	<p>Requires improvement</p>	<p>PSCB Safeguarding Improvement Plan to be monitored by the Executive Group and a report on progress to be reported to the Full Board. PSCB to</p>

Assurance Parameters	Key Questions	Evidence provided in 2015	Risk Assessment	Remarks / Action Plan
<p>Plymouth Safeguarding Children Board (PSCB), the courts, children’s trust co-operation arrangements, Community Safety Partnerships, health and wellbeing boards, Young Offending Team partnerships, police, probation, Multi-Agency Public Protection arrangements and Multi-Agency Risk Assessment Conferences) and their respective accountabilities</p>	<p>contribute sufficient professional time and resource to the PSCB and its sub-committees. * How does the PSCB report on its work and findings to the LA and other statutory agencies? * Are there other multi-agency partnerships, if yes, how does the PSCB formally link into these and to what effect? * What arrangements are in place to ensure schools and colleges fulfil their duties? * What opportunities are being sought to streamline processes and identify shared areas of concern to influence joint policy development and joint commissioning?</p>	<p>reviewed its working structure for 2015/16 and beyond with strategic work around CSE and the Shadow C&YP Board now integrated into formal sub groups of the Full Board. The PSCB has an agreed working protocol with the Children’s Partnership and the H&WBB with representatives of both these bodies attending PSCB Full Board meetings.</p> <p>Performance monitoring and quality assurance are managed through the Learning & Professional Practice Sub Group (LPP) of the PSCB. A full data set of performance indicators around multi agency practice are analysed and the subject of intense scrutiny at regular dedicated meetings of the LPP Sub Group with formal reporting to the Full Board. A quality assurance framework is currently being developed by the LPP Sub Group and will dovetail with the PSCB Learning & Improvement Framework.</p> <p>Attendance at Full Board and Executive Group meetings are analysed at the end of each year and data included within the PSCB Annual Safeguarding Report. Agency attendance at these meetings are good but some sub group meetings are not always quorate leading to difficulties in making decisions and allocating work streams to meet deadlines within the work programme. The new Chair of the PSCB is meeting with all agency lead members as part of his induction and is re-enforcing the importance of regular participation in all PSCB meetings.</p> <p>Meeting minutes of the PSCB Full Board are published on the PSCB website and a 'highlights' document is produced and distributed to agencies within one week of each Full Board meeting. This document is cascaded to staff in all agencies.</p> <p>The Chair of the PSCB attends each Children’s Partnership Board meeting and presents a brief report on national/local safeguarding issues/developments together with a range of challenges for the Partnership to consider. The Chair of the PSCB will provide in future a regular report to the Council Scrutiny Committee for information and each agency member</p>		<p>analyse results of the Schools Section 175/157 self-assurance audit during July/August 2015 and report findings to the Full Board in September 2015. PSCB Business Manager to identify and review future format, mechanism and timing for PSCB reporting to the Children’s Partnership and Council Scrutiny Committee. Analyse attendance at Full Board and Executive group meetings for 2014/15 and consider how a similar exercise could be undertaken for all sub group meetings.</p>

Assurance Parameters	Key Questions	Evidence provided in 2015	Risk Assessment	Remarks / Action Plan
		<p>to the PSCB should provide similar information through their own governance arrangements. Schools are represented on the PSCB Full Board by Headteacher representatives from PAPH, PLT and SHAP. Schools, Colleges and Academies have a duty under Section 175/157 of the Education Act 2002 to ensure they undertake their statutory role with regard to the safeguarding and welfare of children. A Section 175/157 self-assurance audit was last undertaken by schools etc. in 2011.</p> <p>Schools, Colleges and Academies have been asked to complete a self-assurance Section 175/157 audit in 2015 and to provide the PSCB with an electronic return. The audit will identify areas of best practice and also enable the PSCB to identify areas to focus support and resources in order to improve safer outcomes for children.</p>		
	<p>13. What other multi-agency partnerships are in place that are relevant to the wellbeing of Children and Young People?</p> <ul style="list-style-type: none"> * How are Children's Services involved in MAPPAs and MARAC structures? * How is the YOT Management Board integrated into the broader work of the Children's Service and PSCB? * How are partnership arrangements led and developed to ensure effective focus and coherence? * Are the health priorities for looked after children reflected in the CYPP and monitored by the Children's Trust Board? * Are the needs of vulnerable children a key part of the Joint Strategic Needs Assessment? 	<p>CYPFS are represented at management level at the MAPPAs meetings, and there is a well-developed process in place to ensure CSC information is gathered in advance to inform the MAPPAs, and that outcomes are followed up. MARAC arrangements were reviewed and changes implemented last year, to ensure effective involvement of all partners including children's services.</p> <p>The YOT management board is now chaired by the AD for CYP&F's and the HOS is part of the services Senior Leadership Team therefore there is good integration with broader children's services. The HOS is also an active member of the PSCB.</p> <p>The Ofsted SIF confirmed that 'Strategic commissioning is informed by a well-developed joint strategic needs assessment, which includes key information on safeguarding issues and vulnerability.' There are effective arrangements to ensure that the Health and Well Being Board, the Children's Partnership and Safer Plymouth provide good governance. The Children and Young People's Plan has agreed the four priorities across the partnership, and these are: Raise Aspiration, Ensure that all children and young people are</p>	<p>Good</p>	

Assurance Parameters	Key Questions	Evidence provided in 2015	Risk Assessment	Remarks / Action Plan
		<p>provided with opportunities that inspire them to learn and develop skills for future employment; Keep our Children and Young People Safe, Ensure effective safeguarding and provide excellent services for children in care; Deliver Prevention and Early Help, Intervene early to meet the needs of children, young people and their families who vulnerable to poor outcomes; Integrated Education, Health and Care Offer, ensure the delivery of integrated assessment and care planning for our children with additional needs.</p> <p>From April 2014 Plymouth City Council and NEW Devon CCG formed an integrated commissioning function. Integrated commissioning will be achieved through the delivery of four commissioning strategies. The Children and Young People’s Strategy has a clear ambition to co-commission early help with schools, and a post has been recruited to support the delivery of this agenda.</p>		

Confidentiality under the National Protective Marking Scheme

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.

The Audit Findings for Plymouth City Council

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2015

7 September 2015

John Golding

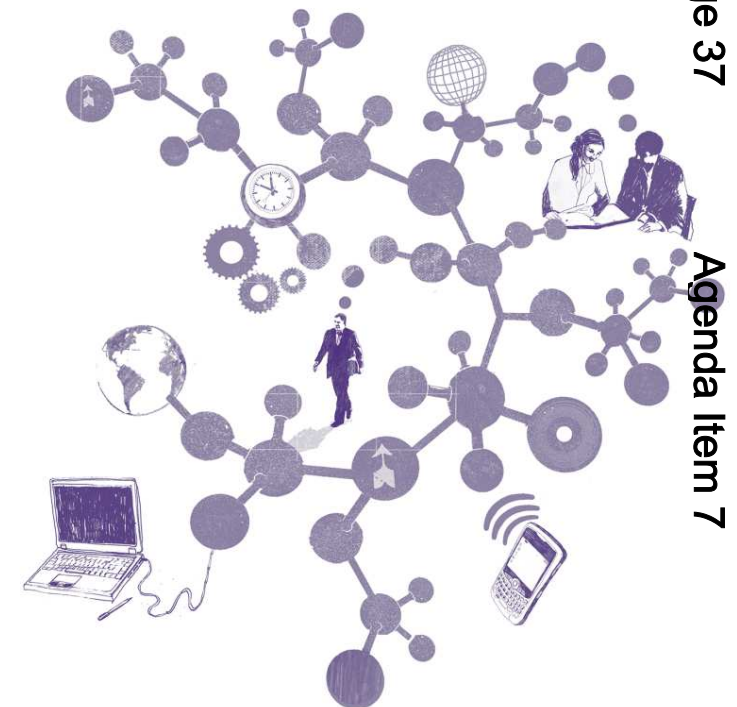
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7 September 2015

Dear Sirs

Audit Findings for Plymouth City Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Plymouth City Council the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed 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.

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

Yours faithfully

John Golding

Chartered Accountants

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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 2015. 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 UK&I).

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 and 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 amend our planned audit approach, which we communicated to you in our Audit Plan at the March 2015 Audit Committee meeting.

Since issuing our audit plan, the Council has concluded that DELT should be accounted for as a joint venture. As the amounts involved are not material in 2014/15, there were no implications for the Council's financial statements.

We have undertaken additional work in relation to the Council's accounting treatment for schools following updated national guidance. We report on this in section 2 under accounting policies, estimates & judgements.

Our audit is substantially complete although we are finalising our work in a number of areas. In particular, we need to complete our work on the following:

- review of the disclosures in the final version of the financial statements and, in particular, reviewing the capital and financing entries within the MIRs;
- obtaining and reviewing the final management letter of representation;
- review of final version of the Annual Governance Statement;
- updating our post balance sheet events review, to the date of signing the opinion; and
- completing our review of your Whole of Government Accounts return.

We will update the Audit Committee on the progress of our work on 17 September 2015.

Key issues arising from our audit

Financial statements production

The deadline for the production of the Council's financial statements was 30 June 2015.

However, with the impending shift to a deadline of 31 May – which is effective from 2017/18 – the Council planned for the draft financial statements and supporting working papers to be made available to us on Friday 12 June 2015. We had planned to complete the audit by 31 July.

The financial statements were not made available until Thursday 18 June 2015, whereupon it became apparent that the expected internal quality assurance procedures had not been applied to the standard of previous years. We were therefore unable to complete our fieldwork in line with the previously agreed timetable and needed to undertake further testing in September 2015.

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the Council's financial statements.

In keeping with previous years our relationship with the finance team throughout the audit has remained strong.

The key messages arising from our audit of the Council's financial statements are:

- The draft financial statements were not provided in accordance with the agreed timetable and both these, and the supporting working papers, were not prepared to the standard we had come to expect from the Council. We identified a number of inconsistencies within the financial statements and between the financial statements and the working papers.
- Responses to audit queries were not dealt with in a timely manner, sometimes due to the unavailability of key staff during the audit.
- A number of key areas (e.g. accounting for schools, the landfill provision and the sale of the Civic Centre) did not reflect the on-going discussions we had had with the Council throughout the year.

We also identified a number of adjustments to improve the presentation of the financial statements although none of the adjustments had a material effect on the Council's reported financial position as far as its General Fund position is concerned.

The Council should undertake a fundamental review of the process for the production of its financial statements and their subsequent audit, ensuring that there is sufficient time allowed for the completion of robust quality assurance arrangements.

Further details on our financial statements audit are set out in section two 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 three of this report.

Whole of Government Accounts (WGA)

The Council's original submission to the Department for Communities and Local Government (DCLG) was returned by that department due to a number of errors and internal inconsistencies within it.

Once our audit of the Council's financial statements has been completed, we will be in a position to undertake our work in respect of the Whole of Government Accounts submission, in accordance with the national timetable. We will advise the Audit Committee on any findings arising from this work.

Controls**Roles and responsibilities**

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.

Findings

We draw your attention in particular to control issues identified in relation to:

Journals

As reported in our audit plan, journals were not authorised before processing. Further information is included on page 16.

IT Controls

In 2013/14 our IT auditors reported that:

- There was a lack of formal reviews of Information Security Policies and Procedures;
- Reviews of information security logs were not being formally, proactively and routinely reviewed;
- Intruder lockout settings were weak.

These issues have still to be addressed by the Council.

Bank Reconciliations

In our audit plan we reported that the bank reconciliations had not been performed and reviewed in a timely manner. These have now been brought up to date.

During our financial statements audit we reviewed the year end bank reconciliation and felt that this could be simplified in order to improve its transparency and help with the review process.

Expenditure Approval

In our audit plan we reported that one payment had been authorised without appropriate supporting documentation. Internal Audit reviewed this and confirmed that this was an isolated incident and that there were no wider internal control implications for the Council.

Further details on internal controls are provided within section two of this report on page 16.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Council's Head of Corporate Strategy.

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 Head of Corporate Strategy and the finance team.

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 2015

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 the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 26 March 2015. 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

Our proposed 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 (UK&I) 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>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Plymouth City Council, we determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Plymouth City Council, mean that all forms of fraud are seen as unacceptable 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management • Testing of journal entries • Review of unusual significant transactions 	<p>As reported in our audit plan, we have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p> <p>A material weakness was again noted as there is no authorisation process for journals prior to their posting. This was reported to the Council in 2012/13 and 2013/14.</p> <p>We have undertaken detailed testing on journal transactions in the year by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p> <p>Our audit work has not identified any evidence of management override of controls. We set out later in this section of the report our work and findings on key accounting estimates and judgments.</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
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tested key controls • undertaken cut off testing and searched for unrecorded liabilities • substantively tested operating expenses incurred by the Council • substantively tested year end creditors 	Our audit work to date has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tested key controls • substantively tested payroll transactions undertaken by the Council • performed analytical procedures, including a trend analysis 	Our audit work has not identified any significant issues in relation to the risk identified. However, the original disclosure concerning senior employees required a complete revision due to the large number of errors within it.

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Welfare Expenditure</p>	<p>Welfare benefit expenditure improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tested key controls, including a reconciliation to the main accounting system • checked system parameters • performed analytical procedures • substantively tested welfare expenditure incurred by the Council 	<p>Our audit work to date has not identified any significant issues in relation to the risk identified</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	Comments	Assessment
Revenue recognition	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>	 Green
Estimates and judgements	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> useful life of capital equipment pension fund valuations and settlements landfill provision Property, Plant and Equipment (PPE) valuations, including revaluations and impairments 	<p>The Council's landfill provision was originally incorrectly stated as it included anticipated income regarding the sale of methane gas. We cover this further in the section on adjusted misstatements on page 19.</p> <p>We have been working with the Council's internal valuers throughout the year regarding PPE valuations, particularly those that were not formally revalued in the year.</p> <p>We are satisfied that the Council has adequate arrangements in place to ensure that all PPE is fairly valued at the balance sheet date.</p> <p>Our work on other key judgements and estimates has not identified any issues we wish to bring to your attention.</p>	 Green

Page 49

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 continued

Accounting area	Summary	Comments	Assessment
Judgements - local authority maintained schools premises	<p>As noted earlier, updated guidance was issued in the year regarding accounting for schools.</p> <p>The key issue is regarding the actual control over the schools, rather than one of physical ownership.</p>	<p>As part of our detailed audit work, we asked the finance team to provide an assessment of whether the Council exercised control over the various schools in the City. This assessment was done in conjunction with the schools themselves, together with Officers from the Council's estates and education sections. The assessment was undertaken on a school-by-school basis, although there were inevitably similarities between the various categories of schools (e.g. Community, VC, VA or Trust)</p> <p>We were satisfied that there was an adequate rationale for the way in which schools had been treated within the Council's financial statements.</p>	<p> Green</p>
Going concern	<p>The Council has advised us that it has a reasonable expectation that the services it provides will continue for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing its financial statements.</p>	<p>We are awaiting the Council's formal assessment and will provide an update to the Audit Committee. on 17 September 2015.</p>	<p>To be confirmed</p>
Other accounting policies	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention</p>	<p> Green</p>

Page 50

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)

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.	Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee and have not been made aware of any incidents in the period. No other issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	A letter of representation has been requested from the Council.
4.	Disclosures	Our review found no non-trivial omissions in the financial statements that we specifically wish to draw to the Audit Committee's attention. Issues that have been identified during the course of our audit are referred to in the adjusted misstatements section of this report on page 19.
5.	Matters in relation to related parties	We are not aware of any related party transactions which have not been disclosed.
6.	Confirmation requests from third parties	We obtained direct confirmations from the Public Works Loan Board (PWLB) for loans, and requested from management permission to send confirmation requests to third parties for bank and investment balances. This permission was granted and the requests were sent. All of these requests, bar one, were returned with positive confirmation. We have chased the outstanding request.

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. We considered and walked through the internal controls for Operating Expenses, Employee Remuneration and Welfare Expenditure, as set out on pages 11 and 12, as well as reviewing other key controls relevant to the Council's financial statements.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Update / Recommendations
1.	 Red	As reported in our audit plan, journals were not authorised before processing.	Recommendation: Sample testing of journals should be undertaken by management in order to ensure that they are appropriate for the Council.
2.	 Amber	In our audit plan we reported that one payment had been authorised without appropriate supporting documentation.	Internal Audit reviewed this and confirmed that this was an isolated incident and that there were no wider internal control implications for the Council.
3.	 Amber	In our audit plan we reported that the bank reconciliations had not been performed and reviewed in a timely manner. During our financial statements audit we reviewed the year end bank reconciliation and felt that this could be simplified in order to improve its transparency and help with the review process.	The bank reconciliations have now been brought up to date. Recommendation: The Council should simplify its bank reconciliation process so that there is a clear and transparent link between the balance on the bank statements and that in its main accounting system.

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Assessment


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

Internal controls cont'd

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. We considered and walked through the internal controls for Operating Expenses, Employee Remuneration and Welfare Expenditure, as set out on pages 11 and 12, as well as reviewing other key controls relevant to the Council's financial statements.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Update / Recommendations
4.	 Amber	Our IT auditor again reported that: <ul style="list-style-type: none"> • there was a lack of formal reviews of Information Security Policies and Procedures; • Reviews of information security logs were not being formally, proactively and routinely reviewed; • Intruder lockout settings were weak 	These issues have still to be addressed by the Council. We have repeated our recommendations from 2013/14.

Assessment

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

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.

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated in 2013/14 Audit Findings Report	Update on actions taken to address the issue
1.	X	A material weakness was noted in that there was no authorisation process for journals prior to their posting. This was previously reported to the Council.	This weakness was still in place throughout 2014/15. The Council's response to the recommendation in our 2014/15 audit plan was that sample testing of journals will be carried out from 1 May 2015 (i.e. in 2015/16). We have not undertaken any testing on any transactions in 2015/16.
2.	X	As reported in our audit plan, our information system specialist preformed a high level review of the General IT control environment and followed up issues raised in the previous year. The findings were: <ul style="list-style-type: none"> • There was a lack of formal reviews of Information Security Policies and Procedures; • Reviews of information security logs were not being formally, proactively and routinely reviewed; • Intruder lockout settings were weak 	Our IT auditor reported the same weaknesses in 2014/15.

Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000
1 The draft Comprehensive Income and Expenditure Statement incorrectly included a number of internal recharges. Although there was no net effect, income and expenditure for Children's and Educational Services were both overstated by approximately £106m. An internal analytical review would have detected this before the financial statements were presented to us.	No net effect	None
2 The Council included anticipated income from the future sale of methane gas over the next 53 years to reduce its landfill provision by £6.6m. This treatment was incorrect as the provision should only include future costs, with any income being recognised in the year to which it relates.	6,609	6,609
3 The Council did not include the Civic Centre within 'assets held for sale' at the year end. Although the sale was for a nominal sum, the building was on the Council's balance sheet at a much higher value and there was a large impact on the financial statements and accompanying notes.	5,453	5,453
4 The Council's cashflow statement contained a number of inconsistencies with the rest of the financial statements, including: <ul style="list-style-type: none"> the cash and cash equivalents on the balance sheet was correctly shown as £7.063m whereas the cashflow statement showed £5.736m. Purchase of investment properties were £3.468m on the balance sheet and £2.191m in the cash flow statement. 	None	None

Adjusted misstatements cont'd

	Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000
5	Only one school has its own separate bank account. The year end balance for that school was included as a creditor on the balance sheet rather than as cash and cash equivalents meaning creditors and cash and cash equivalents were both understated by £565k.	None	No net effect
		£12,062	£12,062

Unadjusted misstatements

Based on the work completed to date, there are no unadjusted misstatements within the Council's financial statements.

Impact of uncorrected misstatements in the prior year

There was only one unadjusted item in the Council's financial statements for 2013/14 and this is set out below.

There is no material effect on the Council's financial statements for the year ended 31 March 2015

	Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1	<p>Extract from 2013/14 Audit Findings Report:</p> <p>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>Extract from 2013/14 Audit Findings Report:</p> <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>

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 Creditors note	The total creditors at the year end were correct, although the classification contained two errors. Central Government departments were understated by £20.9m and other entities and individuals were overstated by the same amount.
2 Debtors note	The total debtors at the year end were correct, although the classification contained two errors. Central Government departments were understated by £13.405m and other entities and individuals were overstated by the same amount.
3 Financial Instruments note	The financial instruments disclosure regarding debtors was overstated by £2.813m. The Council had included non-contracted debtors as financial instruments.
4 Taxation and non specific grant income note	The total income for the year was correct, although the analysis contained a number of errors. Council Tax, non domestic rates and capital grants were overstated by £508k, £1714k and £124k respectively, whilst non-ringfenced government grants were understated by £2,346k.
5 Officers remuneration – senior employees	The original disclosure concerning senior employees required a complete revision due to the large number of errors within it.

In addition to the above issues, the draft financial statements included a number of typographical and presentational issues. Although none of these were significant in their own right, they do illustrate the need for a robust quality assurance process in future years.

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
- 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.

The Council has produced a balanced four year revenue budget covering 2015/16 to 2018/19 and a three year capital budget covering 2015/16 to 2017/18. Whilst there remain some uncertainties regarding the levels of future financing, the four year revenue budget includes a savings target of nearly £48m over the period.

These savings will be achieved in a number of ways, but the largest area is the Council's Transformation Programme which will invest £14.7m to deliver more than £55m of savings.

This represents a significant challenge and will require careful and diligent management.

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.

Overall our work highlighted that the Council set out its future direction in its Corporate Plan and it continues to build on this. It focuses on co-operative values which inform the way that the Council goes about its business and helps to shape its future service delivery.

Value for Money

The implementation of the Council's Transformation Programme will fundamentally change the way that services are delivered, focusing on four key areas:

- Growth and municipal enterprise
- Customer and service transformation
- Integrated health and wellbeing services
- Internal support services

The success of the Transformation Programme is fundamental to the Council's medium term financial strategy.

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 2015.

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:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

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

Theme	Summary findings	RAG rating
Key indicators of financial performance	In 2013/14, we assessed the Council's arrangements as adequate and we did not identify any risks during our review of key documentation for 2014/15. The Council incurred a small overspend against its 2014/15 revenue budget, due largely to rising cost pressures in respect of adult social care and children's social care services. In addition, at the year end the Council's General Fund was only slightly reduced from prior year levels and its earmarked reserves had increased by over £4m. As a result, we have concluded that the Council continues to have adequate arrangements in place.	Green
Strategic financial planning	<p>The Council has:</p> <ul style="list-style-type: none"> adequately considered the main issues, both local and national, that it faces in agreeing its medium term financial plan adequately reflected the results of its medium term planning in its 2015-16 revenue and capital budgets made reasonable and adequate planning assumptions in its medium term financial plan identified and taken account of funding cuts in its medium term financial plan a fully funded capital programme in place. <p>In particular, the Council has developed a four year revenue budget covering 2015/16 to 2018/19. This includes savings targets of nearly £48m over the period, with almost half of that amount required in 2015/16. The highest risk elements of the 2015/16 savings plans are those associated with the Council's Transformation Programme.</p> <p>The Council needs to maintain its sound financial position by continuing to :</p> <ul style="list-style-type: none"> keep the medium term financial plan up-to-date and plan for a range of potential scenarios ensure that planned saving programmes are delivered. <p>Due to the scale of the financial challenge facing the Council and, in particular, the scale of the savings plans required during 2015/16, we have assessed Strategic Financial Planning as an 'amber' risk.</p>	Amber

Theme	Summary findings	RAG rating
Financial governance	<p>In 2013/14, we assessed the Council's arrangements as adequate and we did not identify any risks during our review of key documentation for 2014/15. In particular, the Council has:</p> <ul style="list-style-type: none"> adequate arrangements in place to make Cabinet aware of financial matters, through timely and comprehensive reports adequate internal and external engagement in the budget setting process. <p>As a result, we have concluded that the Council continues to have adequate arrangements in place.</p>	Green
Financial control	<p>In 2013/14, we assessed the Council's arrangements as adequate and we did not identify any risks during our review of key documentation for 2014/15. In particular, the Council has:</p> <ul style="list-style-type: none"> robust efficiency plans in place, including timescales, which set out savings targets and how they will be delivered arrangements in place to deliver long-term sustainable savings rather than short-term efficiencies. <p>As a result, we have concluded that the Council continues to have adequate arrangements in place.</p>	Green
Prioritising resources	<p>The Council has adequate arrangements in place to:</p> <ul style="list-style-type: none"> challenge delivery methods and consider alternative options consult with key stakeholders when challenging delivery methods and alternative options inform and make key decisions on how to make savings to services understand the impact and outcome of decisions that it makes. <p>However, the Council's Transformation Programme continues to have a major impact on both what services are delivered and how they are delivered. It is important that the Council ensures that this programme remains on track and, furthermore, that cost savings in one service area do not result in cost pressures in another.</p>	Amber
Improving efficiency & productivity	<p>In 2013/14, we assessed the Council's arrangements as adequate and we did not identify any risks during our review of key documentation for 2014/15. In particular, the Council has:</p> <ul style="list-style-type: none"> adequate arrangements in place to understand its costs and inform its reviews of where cost savings in service delivery can be made sound IT systems and data quality arrangements in place. <p>As a result, we have concluded that the Council continues to have adequate arrangements in place.</p>	Green

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Fees, non-audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit	182,498	TBC
Grant certification on behalf of Audit Commission	17,720	TBC
Total audit fees	200,218	TBC

As set out above, this has been a challenging audit and we will need to consider the audit fee. We discussed this with the Council's Head of Corporate Strategy on 7 September 2015 and will advise the Audit Committee of any amount payable in due course.

Fees for other services

Service	Fees £
Audit related services	
Teachers Pensions end of year return (outside of the Audit Commission regime)	4,200
External Audit fee for Delt	4,500
Non audit related services	
VAT advice	5,135
Trading Company advice	3,750

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 Financial Reporting Council'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 (UK&) 260, as well as other (UK&I) 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).

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
Our communication plan		
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

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should undertake a fundamental review the process for the production of its financial statements and their subsequent audit, ensuring that there is sufficient time allowed for the completion of robust quality assurance arrangements.	High		
2	Recommendation from audit plan: Sample testing of journals should be undertaken by management in order to ensure that they are appropriate for the Council.	Medium	Response from audit plan: Sample testing of journals will be carried out from 1 May 2015. The Finance Systems Team will set up a new procedure to sample journals every month and get them signed off by a manager.	Nick Flay Lead Accountant May 2015
3	The Council should simplify its bank reconciliation process so that there is a clear and transparent link between the balance on the bank statements and that in its main accounting system.	Medium		
4	Information Security Policies should be reviewed at planned intervals or when significant changes occur to ensure their continued suitability, adequacy and effectiveness.	Medium		
5	Logs relating to information security events on each system and the network should be to detect inappropriate or anomalous activity.	Medium		
6	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.	Medium		

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

We have audited the financial statements of Plymouth City Council for the year ended 31 March 2015 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 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 2014/15.

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

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 2014/15, 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 also 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 the 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 2015 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 2014/15 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 are required to 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; or
 we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
 we designate under section 11 of the Audit Commission Act 1998 a 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 in October 2014.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 2015.

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 2014, 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 2015.

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.

John Golding

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

Bristol

18 September 2015



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2014/15 STATEMENT OF ACCOUNTS



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EXPLANATORY FOREWORD TO THE STATEMENT OF ACCOUNTS 2014/15

WHAT IS THE STATEMENT OF ACCOUNTS?

Plymouth City Council is a Unitary Council serving a population in excess of 250,000, with an organisation of this size and complexity with a gross annual budget in excess of £550m, the formal accounts are both technical and complex. The Accounts are compiled in accordance with relevant legislation and guidance, primarily the International Financial Reporting Standards (IFRS). 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 2014 to March 2015. 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.

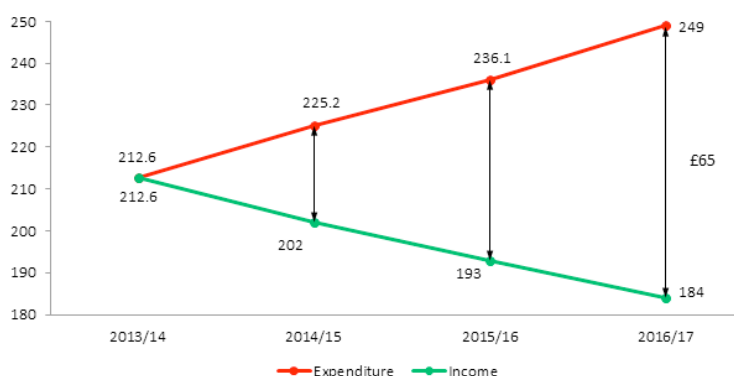
A WORD FROM OUR SECTION 151 OFFICER

I hope you find the information contained within this report both useful, in understanding how Plymouth City Council allocates its scarce resources, and written using language which is easy to understand. Last year we reported that in line with all other Local Authorities across the country, we are facing the biggest challenge in terms of falling central government funding that we have experienced in a very long time. This situation was forecast to continue through 2014/15 and it has with our allocated funding being very close to our financial modelling.

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 three years from 2010/11, removing more than £30m from our net revenue budget whilst retaining and improving services to our customers along the way. 2014/15 represented the first year of our well-publicised three year £65m funding gap. This was again a very challenging financial year for the Council.

We had to achieve savings in 2014/15 of over £20m to balance our budget. It is a fantastic achievement to have come in so close to budget with only a £0.119m overspend against our net revenue budget of £204.680m. Balancing the budget without the need for a major draw down against our financial reserves provides us with a strong foundation to address the challenges ahead. It is a tremendous achievement and testament to the strong financial management and discipline across all areas of the Council.

Funding gap over 3 years



However, there are specific areas of departmental service that continued to present us with significant financial impact, mainly in relation to our demand-driven Children's Social Care which reported an overspend of £2.7m against the net budget allocation of £26.5m, and our Co-operative Commissioning and Adult Social Care programme where costs exceeded the £70.5m net budget by £2.5m 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 its [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.

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.

Annual Report 2015/16

The Council published its [Annual Report](#) which summarises how we have been delivering the Council's priorities for Plymouth over the last year and our plans for 2015/16. The report also outlines how we spend our budget and some of the challenges we face in delivering services with less funding from central Government and rising demand for care services.

OUTTURN POSITION 2014/15 – A SUMMARY

As in 2013/14, where we recorded a small over spend of £0.058m, we again came very close to balancing the books in 2014/15. Against our budget of £204.680m, our total revenue spend for the year was £204.799m, representing an over spend of £0.119m. Given the size of the challenges we faced, this is again a major achievement.

Directorate	Budget	Outturn	Year-end overspend/ (underspend)
	£m	£m	£m
People	122.751	126.190	3.439
Place	30.319	30.344	0.025
Office of Director of Public Health	0.211	0.205	(0.006)
Transformation and Change	30.723	30.657	(0.066)
Chief Executive's Office	3.870	3.869	(0.001)
Corporate Items	16.806	13.534	(3.272)
Total	204.680	204.799	0.119

The table shows that with the exception of the People Directorate and Corporate items, all other directorates came in with only minor variations from their budget allocations. The People Directorate, recorded an overall total overspend across all areas of £3.439m. This includes overspend within the Co-operative Commissioning and Adult Social Care area of £2.508m, and over spend of £2.723m within Children's Social Care, both being offset

by major savings from Education, Learning and Family Support and also Homes and Communities.

OUTTURN POSITION 2014/15

The overspend for the Co-operative Commissioning and Adult Social Care service is attributed to Care Packages, increase in the overall number and cost of Supported Living clients, direct payments, re-ablement and an increase in the forecasted cost of the Rapid Response and Deprivation of Liberty Safeguards (DoLS) assessments and associated costs. To put this in context, we must consider that this service area is responsible for just under £70.5m of the Council's net budget, or put another way approx. 35 per cent of the total resource allocation; the adverse position at the end of the year, although a large sum, represents just over a three per cent over spend against the budget.

The Children's Social Care overspend is attributable to the increased cost of young people's placement, including more complex care needs.

The major offsets were recorded under Corporate Items where we did not call on the £1m Revenue Contingency; our Treasury Management strategy again produced major savings against budget of £1.4m; we made savings of £0.313m against the cost of our Transformation Programme. We also had one-off savings of £0.500m from areas such as VAT and 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 second year again gave us a benefit through working in partnership.

The £0.119m over spend has been met from the General Fund Working Balance. The balance at the start of the year was £10.739m; after taking into account the final

	31 March 2014	Outturn	31 March 2015
	£m	£m	£m
Working balance	10.739	(0.119)	10.620

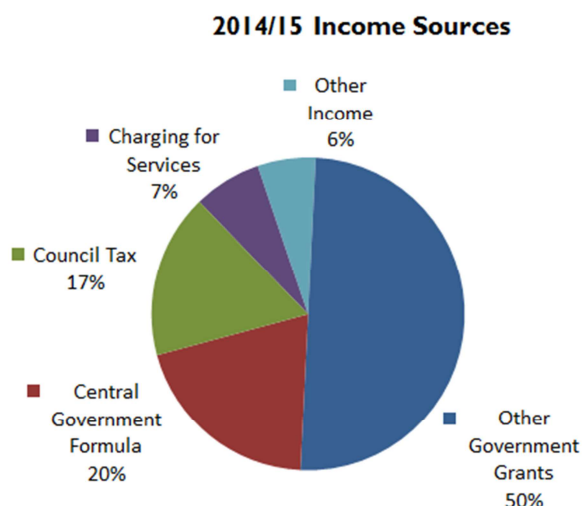
deficit for the year of £0.119m, the working balance to carry forward as of 31 March 2015 stands at £10.620m.

GENERAL FUND REVENUE ACCOUNT

MONEY IN...INCOME SOURCES

Our Revenue Budget is financed from Council Tax, fees and charges, Government grants (which include the Revenue Support Grant RSG plus our allocation of Business Rates), external contributions and other income. The diagram is helpful in understanding how the 2014/15 revenue budget was financed:-

The Council set a band D Council Tax for the year of £1,294.81 for the Authority's element of Council Tax, at its meeting of 24 February 2014.



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
Children's Social Care	29.243
Co-operative Commissioning and Adult Social Care	72.998
Education, Learning and Family Support	13,966
Homes and Communities	9.780
Management and Support	0.203
Total	126.190
Transformation and Change Directorate	£m
Finance	15.922
Human Resources and Occupational Development	2.399
Legal	2.822
Customer Services	3.655
Management and Support	0.502
ICT	5.357
Total	30.657
Chief Executive's Office	£m
Total	3.869

Place Directorate	£m
Economic Development	0.899
Strategic Planning	8.614
Street Services	22.648
Management and Support	(1.817)
Total	30.344

Corporate Items	£m
Capital Financing	9.533
Transformation Programme	5.561
Other Corporate Items	(1.560)
Total	13.534

Office of Director of Public Health	£m
Total	0.205
Grand total	£m
Total	204.799

CAPITAL OUTTURN 2014/15

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	Outturn
	£m
Transformation and Change	6.252
People	13.865
Public Health	0.186
Place	33.488
Total	53.791

The Council has an ambitious capital investment plan, designed to improve the City's infrastructure, economy and housing. For 2014/15 capital expenditure totalled £53.791m, representing 95 per cent of the latest approved budget of £56.671m.

The 2014/15 programme has enabled investment in some notable schemes, including £11m on improving and maintaining schools; £2m on upgrading disabled facilities in homes; £2.9m contribution to upgrading the Materials Recycling Facility at Chelson Meadow; £11m on highway improvements and £1.3m towards vehicle and plant replacement.

The year-end position includes £7.029m re-profiling of schemes into 2015/16, 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 sources of capital grant funding are: Lottery Grant, Department for Education and Skills, Department for Transport Section 56, Department for Communities and Local Government (DCLG) (including Disabled Facilities grant) and Section 106 developer's contributions. The 2014/15 programme was fully funded:

Method of financing	£m
Total borrowing	6.792
Ring fenced funding	12.619
Un-ring fenced funding	34.380
Total	53.791

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.

The Council's [Treasury Management Strategy for 2015/16](#) has been approved by Full Council, can be found on our website.

External borrowing

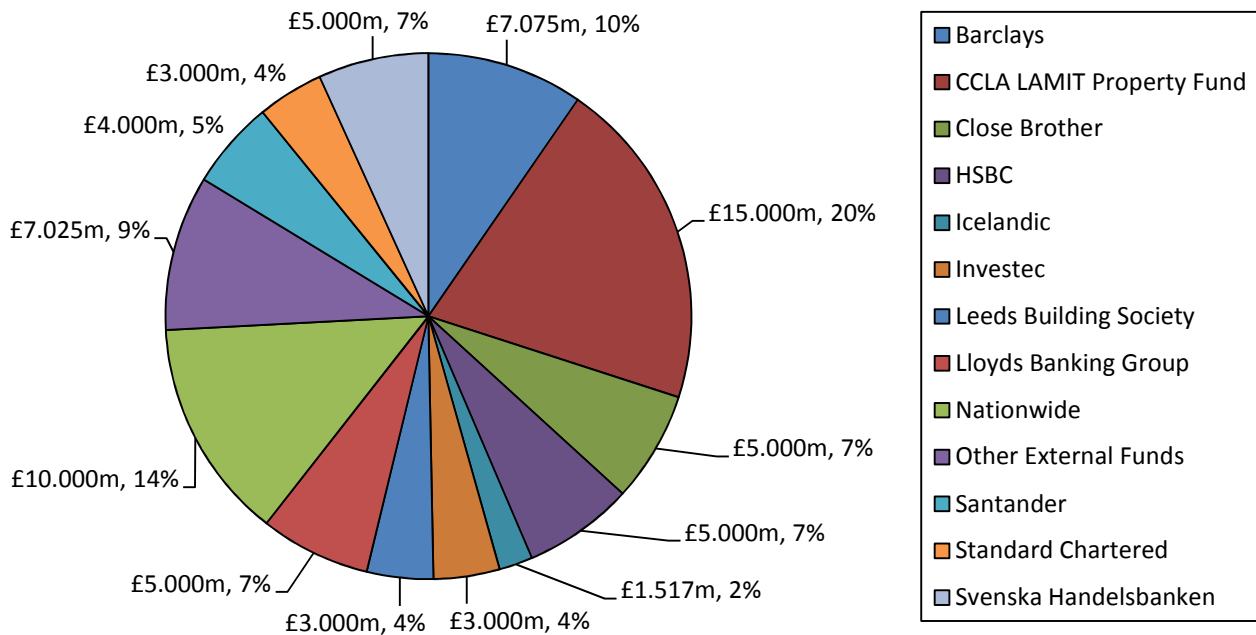
At the year-end, borrowing from external lenders totalled £212.564m, as shown in the table below. This should be viewed in relation to the value of the Council's operational land and buildings, plant and equipment and investment properties, which have a net book value of £431.606m at the 31 March 2015. 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	per cent
PWLB (Public Works Loan Board)	44.252	5.76
Market Loans	100.000	4.38
Bonds	0.112	0.50
Temporary Loans	68.200	0.38
Total borrowing	212.564	3.83
PFI	28.500	8.73
Other Finance lease liability	1.727	n/a
Other liabilities	8.920	n/a
Total debt 31 March 2015	251.711	3.83

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

Investments by bank/group at 31 March 2015

Total £73.617m



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 2015 and its income and expenditure for the year ended 31 March 2015.

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 2014/15.

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 was reported to and approved by the Audit Committee in June 2015.

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](#)

Key areas covered in the Statement of Accounts include:-

Balance sheet

The balance sheet has a negative balance of £110m which has been caused mainly by movements in the unusable Reserves. The Council holds a number of reserve accounts in the Balance Sheet and these are shown in note [16.1](#).

There have been two large movements in the unusable reserves during the year. The pension reserve has decreased by a net figure of £129m mainly due to an increase in future obligations of £146m following a change in the financial assumptions used by the actuaries. The Tamar Bridge was revalued during the year using the replace cost valuation and this has reduced the value by £40m which is included in the revaluation reserve and the capital adjustment account.

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 £504.823m being reflected in the Council's Balance Sheet. This represents Plymouth City Council's liability to the LGPS. In addition, the Council discloses a long-term creditor of £16.521m 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 2015 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 per cent 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

DELT

In October 2014 Plymouth City Council entered into a formal partnership with Clinical Commissioning Group (CCG) in Plymouth to provide a shared service for ICT.

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 LTP programme. The contract was for a period of 7 years, extendable by a further 3 years, and during 2014/15 the Council approved the extension of the contract to April 2017.

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 and 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 and 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 a Waste Disposal Facility (WDF) being constructed in Plymouth; the plant became operational at the end of April 2015.

Material events after the balance sheet date

The Council is required to take into account items occurring after 31 March 2015 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 final Statement of Accounts will be published in September and will therefore include all post Balance Sheet events up to and including September 2015.

The Statement of Accounts was authorised by the Council's Section 151 Officer on 25 September 2015. 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 2015,

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:

Adult Social Care and Clinical Commissioning Group

On the 1 April 2015 the Authority entered into an agreement with the North East and West Devon Clinical Commissioning Group under Section 75 of the National Health Services Act 2006.

The effect of this agreement is to pool budgets totalling £462m net (PCC £131 net and CCG £331m net) in 2015/16 between the two organisations to allow integrated commissioning of health, public health and social care services for the Plymouth population.

On 1 April 2015 Plymouth City Council adult social care delivery staff transferred to Plymouth Community Healthcare (PCH), a community interest company (CIC), to transform the way these services are delivered.

School's catering

On 1 April 2015 the school meals service transferred to CATERed Limited which is a company jointly owned by Plymouth City Council and PSSC Plymouth Schools Shareholding Company Limited (representing the Plymouth Schools).

Energy from waste plant

Commissioning of the plant commenced in April 2015 when the plant received waste from Plymouth City Council. In order to complete a commissioning period the plant now receives waste from all the three authorities and this is expected to be completed in 2015/16.

Contingent assets and 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:

The Civic Centre – a contingent liability for the annual operating and maintenance costs have been disclosed whilst the future of the building remains to be determined.

The Council has received a satisfactory offer for the building and has agreed a sale, subject to contract. If the sale proceeds then the annual operating and maintenance costs will cease

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.

Chelson Meadow – since works to Chelson Meadow were completed in June 2012, the Authority has been in dispute with the contractor and is waiting for the adjudication to settle this claim.

Financial position of the Council

Going into 2015/16

At 31 March 2015 the Council's Working Balance stood at £10.620m or 5.5 per cent of the net revenue budget for 2015/16 of £193m.

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 2015, the total earmarked reserves were £28.487, including £8.804m 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 2015 totalled £24.238m. Further details of provisions are in note [15](#) page 49. 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

Following the General Election in May 2015 the country elected a new Conservative Government. As a new administration the Chancellor has set out his immediate financial plans in his July 2015 Budget. We have our settlement confirmed for 2015/16 however we will continue to face a number of significant financial pressures in the medium term, with continued uncertainty around future grant funding and notification dates moving later into the year. We are preparing for the planned review of Non Domestic Rates (NDR) – more commonly referred to as Business rates- with new valuations in place from April 2017. With effect from April 2015 Plymouth City Council and the North East Western Devon CCG (NEW Devon CCG) have entered into a Section 75 agreement to pool their respective funding covering all aspects of children's and adult's social care plus intervention services.

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 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 2014/15 of very close to budget, with a small over spend of £0.119m; 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 Head of Corporate Strategy signed the Draft Statement of Accounts on 25 June 2015. The formal audit of the Draft Statement of Accounts commenced on 15 June 2015, and in line with our statutory duty we made our accounts available for scrutiny by interested members of the public from 22 June to 20 July 2015.

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 2015.

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 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 Council's Assistant Director for Finance who is the Section 151 Officer, is required to sign the final accounts by a statutory deadline of 30 September 2015.

Further information is available:

- on the Council's website: plymouth.gov.uk/accounts or
- from Chris Flower, Lead Accountant, Ballard House West Hoe Road, Plymouth PL1 3BJ, telephone 01752 304212, email corporateaccountancy@plymouth.gov.uk.

The Council's statutory responsibilities regarding these Accounts are laid out in the section entitled 'Statement of Responsibilities for the Statement of Accounts' page [14](#).

A Hardingham
Assistant Director for Finance
Ballard House, Plymouth PL1 3BJ

Dated: 17 September 2015

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, the 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
- 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 2015 and of its expenditure and income for the year ended 31 March 2015.

A Hardingham
Assistant Director for Finance
Ballard House, Plymouth PL1 3BJ

Dated: 17 September 2015

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31 MARCH 2015

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.

2013/14 gross expenditure	2013/14 gross income	2013/14 net expenditure		Note	2014/15 gross expenditure	2014/15 gross income	2014/15 net expenditure
£000	£000	£000			£000	£000	£000
(100,643)	24,383	(76,260)	Adult Social Care		(102,883)	24,592	(78,291)
(7,376)	271	(7,105)	Corporate and Democratic Core		(10,471)	299	(10,172)
(6,936)	3,239	(3,697)	Central Services		(6,378)	3,882	(2,496)
(19,090)	4,020	(15,070)	Cultural and Related Services		(19,884)	5,439	(14,445)
(238,021)	169,945	(68,076)	Children's and Educational Services		(222,993)	155,667	(67,326)
(34,873)	7,512	(27,361)	Environmental and Regulatory Services		(44,608)	14,520	(30,088)
(121,774)	110,467	(11,307)	Housing Services		(117,693)	113,330	(4,363)
(41,485)	16,339	(25,146)	Highways and Transport Services		(79,683)	17,876	(61,807)
(301)	792	491	Non distributed costs		1,338	1,035	2,373
(11,313)	11,350	37	Public Health		(12,193)	12,932	739
(8,875)	9,465	590	Planning Services		(15,488)	13,570	(1,918)
(590,687)	357,783	(232,904)	Surplus/(deficit) on continuing operations		(630,936)	363,142	(267,794)
(18,855)	1,337	(17,518)	Gain/(loss) on disposal of fixed assets	<u>8.5</u>	(3,826)	269	(3,557)
(349)	5,331	4,982	Other operating expenditure		(358)	4,316	3,958
(51,172)	7,673	(43,499)	Financing and investment income and expenditure	<u>6</u>	(45,518)	20,115	(25,403)
0	233,138	233,138	Taxation and non-specific grant income	<u>7</u>	0	228,068	228,068
		(55,801)	Surplus/(deficit) on provision of services				(64,728)
		7,119	Surplus/(deficit) on revaluation of fixed assets	<u>16.6</u>			(4,878)
		(4,598)	Re-measurement of the net defined benefit liability (asset)				(117,858)
		314	Surplus/(deficit) on revaluation of available for sale financials assets				1,251
		(9,214)	Landfill provision				(213)
		(6,379)	Other comprehensive income and expenditure				(121,698)
		(62,180)	Total comprehensive income and expenditure				(186,426)

BALANCE SHEET AS AT 31 MARCH 2015

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, that is 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 2014		Note	31 March 2015
£000			£000
596,537	Property plant and equipment	8	547,377
20,144	Heritage assets	9	21,344
66,397	Investment property	10	64,161
2,078	Intangible assets		1,628
14,372	Long term investments	12.1	29,130
1,461	Long term debtors		2,598
700,989	Non-current assets		666,238
50,168	Short term investments	12.1	41,379
853	Inventories		966
32,227	Short term debtors	13.1	37,157
22,704	Cash and cash equivalents	17.4	7,628
6,315	Assets held for sale	8.6	6,363
112,267	Current assets		93,493
(82,497)	Short term borrowing	12.1	(69,925)
(74,129)	Short term creditors	14.1	(94,155)
(1,917)	Short term provisions	15	(1,002)
(158,543)	Current liabilities		(165,082)
(16,274)	Long term creditors	14.2	(16,756)
(14,925)	Long term provisions	15	(12,899)
(145,592)	Long term borrowing	12.1	(145,537)
(375,792)	Long term liabilities pensions	27.3, 27.9	(504,823)
(39,176)	Long term liabilities other	14.3	(38,106)
(591,759)	Long term liabilities		(718,121)
62,954	Net assets		(123,472)
63,927	Usable reserves	16.1	58,238
(973)	Unusable reserves	16.1	(181,710)
62,954	Total reserves		(123,472)

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

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 2013		10,797	24,417	13,121	12,283	60,618	64,514	125,132
Movement in reserves during 2013/14								
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)
Total comprehensive expenditure and income		(55,800)	0	0	0	(55,800)	(6,378)	(62,179)
Adjustments between accounting basis and funding under regulations	5	58,778	0	(258)	599	59,119	(59,119)	0
Net increase/(decrease) before transfers to earmarked reserves		2,978	0	(258)	599	3,319	(65,497)	(62,178)
Transfers (to)/from earmarked reserves	16	(3,036)	3,026	0	0	(10)	10	0
Increase/(decrease) in year		(58)	3,026	(258)	599	3,309	(65,487)	(62,178)
Balance at 31 March 2014		10,739	27,443	12,863	12,882	63,927	(973)	62,954
Movement in reserves during 2014/15								
Surplus or (deficit) on provision of services		(64,728)	0	0	0	(64,728)	0	(64,728)
Other comprehensive expenditure and income		0	0	0	0	0	(121,698)	(121,698)
Total comprehensive expenditure and income		(64,728)	0	0	0	(64,728)	(121,698)	(186,426)
Adjustments between accounting basis and funding under regulations	5	65,653	0	(2,065)	(4,549)	59,039	(59,039)	0
Net increase/(decrease) before transfers to earmarked reserves		925	0	(2,065)	(4,549)	(5,689)	(180,737)	(186,426)
Transfers (to)/from earmarked reserves	16	(1,044)	1,044	0	0	0	0	0
Increase/(decrease) in year		(119)	1,044	(2,065)	(4,549)	(5,689)	(180,737)	(186,426)
Balance at 31 March 2015		10,620	28,487	10,798	8,333	58,238	(181,710)	(123,472)

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 (that is borrowing) to the authority.

2013/14		Note	2014/15
£000			£000
(54,958)	Net surplus or (deficit) on the provision of services	17.1	(64,728)
77,844	Adjustment to net surplus or (deficit) on the provision of the services for non-cash movement	17.1	97,269
509	Adjustment for items included in the net (surplus) of deficit on the provision of services that are investing and financing activities	17.1	59,033
23,395	Net cash flow from operating activities		91,574
(63,656)	Investing activities	17.2	(92,686)
(2,022)	Financing activities	17.3	(13,964)
(42,283)	Net increase or (decrease) in cash and cash equivalents		(15,076)
64,987	Cash and cash equivalents at the beginning of the reporting period	17.4	22,704
22,704	Cash and cash equivalents at the end of the reporting period		7,628

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I. Accounting Policies

I.1 General principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 (The Code) and the Service Reporting Code of Practice 2014/15 (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.

1.5 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.

Termination benefits (for example 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 per cent (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.

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.

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.

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).

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 2014/15 (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 stated 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 per cent 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 per cent 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;
- finance costs – an interest charge on the outstanding Balance Sheet liability;
- contingent rent – increases in the amount to be paid for the property arising during the contract;
- payment towards finance liability – applied to write down the Balance Sheet liability towards the PFI operator;
- lifecycle costs – costs to maintain assets used to operationally acceptable standard.

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.

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 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts 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 - 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.

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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Variances 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 present value of the total pension obligation can be measured. For instance, a 1 year increase in mortality rate assumptions would result in a change to the net present value of the total pension obligation by -£0.038m.

This list does not include assets and liabilities that 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 15 September 2015. 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 2015, 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:

Adult Social Care and Clinical Commissioning Group

On the 1 April 2015 the Authority entered into an agreement with the North East and West Devon Clinical Commissioning Group under Section 75 of the National Health Services Act 2006.

The effect of this agreement is to pool budgets totalling £462m net (PCC £131 net and CCG £331m net) in 2015/16 between the two organisations to allow integrated commissioning of health, public health and social care services for the Plymouth population.

A new Plymouth Integrated Commissioning Board has been formed and four commissioning strategies which support the use of the section 75 monies are under development. Given the volatile nature of both health and social care budgets, a risk share limiting arrangement has been agreed for 2015/16 which protects the partners from exposure to each other's overspends.

On 1 April 2015 Plymouth City Council adult social care delivery staff transferred to Plymouth Community Healthcare (PCH), a community interest company (CIC), to transform the way these services are delivered.

Health and social care services will work in a more joined-up way as an integrated provider and PCH will focus on transforming services across the city to ensure that we make the best use of our

resources. At a time when demand continues to rise PCH will ensure that people who use these services get the right care, at the right time, in the right place, regardless of who may be providing the care.

School's Catering

On 1 April 2015 the school meals service transferred to CATERed Limited which is a company jointly owned by Plymouth City Council and PSSC Plymouth Schools Shareholding Company Limited (representing the Plymouth Schools).

CATERed provides freshly prepared food to children and young people every day across the city. The service provides Free School Meals, Universal Infant Free School Meals and paid for meals to 12,500 pupils each day of the academic year in 67 schools.

The service currently employs around 280 largely part-time staff and a core management team of 8 full-time staff and is responsible on behalf of the schools for the planned and reactive maintenance of the kitchen estates which is funded from school budgets.

Energy from waste plant

The Council is part of a Waste Partnership with Torbay Council and 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 have been building an energy from waste facility on leased Ministry of Defence land at Camels Head North Yard in Devonport Dockyard, Plymouth.

Commissioning of the plant commenced in April 2015 when the plant received waste from Plymouth City Council. In order to complete a commissioning period the plant now receives waste from all the three authorities and this is expected to be completed in 2015/16. Payments to MVV are made in accordance with the contract and are set at a reduced rate until the commissioning period is completed when the full gate fees will be chargeable for tonnages delivered.

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	2013/14				2014/15			
	General fund balance	Capital receipts reserve	Capital grants unapplied	Movement in unusable reserves	General fund balance	Capital receipts reserve	Capital grants unapplied	Movement in unusable reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Adjustments involving the capital adjustment account:								
Reversal of items debited or credited to the comprehensive income and expenditure statement:								
Charges for depreciation and impairment of non-current assets	37,118	0	0	(37,118)	78,926	0	0	(78,926)
Movements in the market value of Investment Properties	6,677	0	0	(6,677)	2,791	0	0	(2,791)
Amortisation of intangible assets	655	0	0	(655)	689	0	0	(689)
Capital grants and contributions	(34,997)	0	34,997	0	(26,301)	0	26,301	0
Movement in the donated assets account	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	19,107	0	0	(19,107)	10,658	0	0	(10,658)
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	17,291	0	0	(17,291)	3,510	0	0	(3,510)
Insertion of items not debited or credited to the comprehensive income and expenditure statement:								
Statutory provision for the financing of capital investment	(9,505)	0	0	9,505	(9,110)	0	0	9,110
Capital expenditure charged against the general fund	0	0	0	0	(2,670)	0	0	2,670
Adjustments involving the capital receipts reserve:								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	0	1,673	0	(1,673)	0	3,391	0	(3,391)
Other capital receipts credited to the comprehensive income and expenditure statement	(5,174)	5,174	0	0	(4,316)	4,316	0	0
Total C/FWD	31,172	6,847	34,997	(73,016)	54,177	7,707	26,301	(88,185)

Adjustments between accounting basis and funding basis under regulations	2013/14				2014/15			
	General fund balance	Capital receipts reserve	Capital grants unapplied	Movement in unusable reserves	General fund balance	Capital receipts reserve	Capital grants unapplied	Movement in unusable reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Total B/FWD	31,172	6,847	34,997	(73,016)	54,177	7,707	26,301	(88,185)
Long term debtor repayments in year	0	40	0	(40)	0	36	0	(36)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(7,139)	0	7,139	0	(9,805)	0	9,805
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	5	(5)	0	0	3	(3)	0	0
Adjustments involving the capital grants unapplied account:								
Use of the Capital Grants unapplied Account to finance new capital expenditure	0	0	(34,398)	34,398	0	0	(30,850)	30,850
Adjustments involving the financial instruments adjustment account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	15,446	0	0	(15,446)	(160)	0	0	160
Adjustments involving the pensions reserve:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	36,707	0	0	(36,707)	31,476	0	0	(31,476)
Employer's pensions contributions and direct payments to pensioners payable in the year	(20,130)	0	0	20,130	(19,901)	0	0	19,901
Adjustments involving the collection fund adjustment account:								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(680)	0	0	680	402	0	0	(402)
Adjustment involving the unequal pay back pay adjustment account								
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	(4,209)	0	0	4,209	0	0	0	0
Adjustment involving the accumulating compensated absences adjustment account								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	467	0	0	(467)	(344)	0	0	344
Total Adjustments	58,778	(257)	599	(59,120)	65,653	(2,065)	(4,549)	(59,039)

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](#).

Analysis of income/expenditure	2013/14	2014/15
	£000	£000
Interest payable and similar charges	(8,668)	(10,426)
Premium on early repayment of debt	(16,507)	0
Pensions interest cost and expected return on pension assets	(15,441)	(16,233)
Interest receivable and similar income	1,215	1,398
(Surpluses)/deficits on trading undertakings not included in net cost of services	109	(101)
Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal	(4,207)	(41)
Total	(43,499)	(25,403)

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	2013/14	2014/15
	£000	£000
Council tax income	85,957	87,446
Non domestic rates	51,687	53,716
Non-ringfenced government grants	80,346	68,417
Capital grants and contributions	15,148	18,489
Total	233,138	228,068

8. Property, plant and equipment

8.1 Movement in year

The movement in Property Plant and Equipment (PPE) in 2014/15 is summarised in the following table:

2014/15	Other land and buildings	Vehicles, plant, furniture and fittings	Infrastructure assets	Toll bridge	Community assets	Surplus assets	Assets under construction	Total property, plant and equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2014	402,213	54,932	153,777	110,793	1,565	4,990	9,890	738,160
Additions	5,713	7,163	10,779	0	3	462	15,381	39,501
Donations	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the revaluation reserve	1,464	0	194	(16,264)	0	2,296	0	(12,310)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(5,792)	0	(194)	(38,279)	0	(46)	0	(44,311)
Derecognition - disposals	(746)	(444)	0	0	0	0	0	(1,190)
Derecognition - other	0	0	0	0	0	0	0	0
Assets reclassified (to)/from held for sale	(1,499)	0	0	0	0	475	0	(1,024)
Other movements in cost or valuation	(7,035)	(329)	2,346	0	13	2,775	(7,512)	(9,742)
At 31 March 2015	394,318	61,322	166,902	56,250	1,581	10,952	17,759	709,084
Accumulated depreciation and impairment								
At 1 April 2014	(47,528)	(27,717)	(54,517)	(9,195)	(1,143)	(1,523)	0	(141,623)
Depreciation charge	(13,285)	(4,291)	(8,058)	(938)	0	(181)	0	(26,753)
Depreciation written out to the revaluation reserve	3,249	0	0	9,195	0	170	0	12,614
Depreciation written out to the surplus/deficit on the provision of services	1,713	0	0	0	0	0	0	1,713
Impairment losses/(reversals) recognised in the revaluation reserve	(200)	0	0	0	0	(300)	0	(500)
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	(6,970)	(80)	(14)	0	(16)	(1,085)	0	(8,165)
Derecognition - disposals	380	334	0	0	0	0	0	714
Derecognition - other	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	512	114	0	0	0	(333)	0	293
At 31 March 2015	(62,129)	(31,640)	(62,589)	(938)	(1,159)	(3,252)	0	(161,707)
Net book value								
At 31 March 2015	332,189	29,682	104,313	55,312	422	7,700	17,759	547,377
At 31 March 2014	354,685	27,215	99,260	101,598	422	3,467	9,890	596,537

2013/14	Other land and buildings	Vehicles, plant, furniture and fittings	Infrastructure assets	Toll bridge	Community assets	Surplus assets	Assets under construction	Total property, plant and equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2013	422,385	52,598	146,259	110,785	1,565	6,025	9,331	748,948
Additions	11,654	3,461	6,089	8	0	4	4,311	25,527
Donations	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)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(4,724)	0	0	0	0	(1,252)	0	(5,976)
Derecognition - disposals	(485)	(719)	(176)	0	0	0	0	(1,380)
Derecognition - other	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)
Other movements in cost or valuation	(19,764)	(408)	1,275	0	0	844	(3,752)	(21,805)
At 31 March 2014	402,213	54,932	153,777	110,793	1,565	4,990	9,890	738,160
Accumulated depreciation and impairment								
At 1 April 2013	(45,210)	(24,097)	(46,771)	(7,348)	(1,143)	(2,472)	0	(127,041)
Depreciation charge	(12,432)	(4,198)	(7,847)	(1,847)	0	(125)	0	(26,449)
Depreciation written out to the revaluation reserve	6,400	0	0	0	0	0	0	6,400
Depreciation written out to the surplus/deficit on the provision of services	1,234	0	0	0	0	283	0	1,517
Impairment losses/(reversals) recognised in the revaluation reserve	4,405	0	0	0	0	0	0	4,405
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	(6,877)	(96)	0	0	0	904	0	(6,069)
Derecognition - disposals	33	535	101	0	0	0	0	669
Derecognition - other	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	4,919	139	0	0	0	(113)	0	4,945
At 31 March 2014	(47,528)	(27,717)	(54,517)	(9,195)	(1,143)	(1,523)	0	(141,623)
Net book value								
At 31 March 2014	354,685	27,215	99,260	101,598	422	3,467	9,890	596,537
At 31 March 2013	377,175	28,501	99,488	103,437	422	3,553	9,331	621,907

8.2 Commitments under capital contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2015 amounted to £26.243m (31 March 2014 £19.484m). 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 1 school, which had previously held Trust status, transferred to Academy 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 2014/15, the Council incurred a net loss on disposal of fixed assets of £3.557m (2013/14 £17.518m).

Assets written off balance sheet	Restated 2013/14	2014/15
	£000	£000
Land and property sales	601	1,135
Academy and trust schools	16,862	2,374
Investment properties	55	48
Total	17,518	3,557

8.6 Assets held for sale

The Council has non-current assets that are held for sale as at 31 March 2015. The value of the assets held for sale are £6.363m (2013/14 £6.315m).

9. Heritage assets

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

Historic buildings and 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 and Equipment.

Gold, silver and jewellery and fine art and world cultures

The Authority's gold, silver and jewellery and fine art and world cultures collections are reported in the balance sheet at insurance valuation which is based on market values.

The Council's policy for the acquisition, preservation and management of museum assets can be found on the [museum collections](#) page of the Council website.

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

Heritage assets	Buildings	Fine art	Gold, silver and jewellery	Total assets
	£000	£000	£000	£000
Cost or valuation				
As at 1 April 2013	1,713	13,635	4,590	19,938
Additions	0	0	0	0
Revaluations	0	205	1	206
As at 31 March 2014	1,713	13,840	4,591	20,144
Cost or valuation				
As at 1 April 2014	1,713	13,840	4,591	20,144
Additions	0	381	0	381
Revaluations	0	819	0	819
As at 31 March 2015	1,713	15,040	4,591	21,344

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	2013/14	2014/15
	£000	£000
Balance at 1 April	73,182	66,397
Additions	0	3,468
Disposals	(108)	(3,074)
Net gains/(losses) from fair value adjustments	(6,677)	(2,791)
Transfers:		
(to)/from inventories	0	0
(to)/from property, plant and equipment	0	161
Other changes	0	0
Balance at 31 March	66,397	64,161

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	2013/14	2014/15
	£000	£000
Opening capital financing requirement 1 April	275,779	264,753
Capital investment		
Property, plant and equipment	25,402	39,501
Investment properties	0	3,468
Intangible assets	517	238
Revenue expenditure funded from capital under statute	19,093	10,658
Other capital expenditure	130	759
Total	45,142	54,624
Sources of finance		
Capital receipts	(7,139)	(9,805)
Less: Long term debtors written out in year	33	33
Grants and contributions applied in year	(35,668)	(34,071)
Revenue and other funds	(3,889)	(3,552)
Minimum revenue provision	(9,505)	(9,110)
Total	(56,168)	(56,505)
Closing capital financing requirement 31 March	264,753	262,872
Explanation of movement in year		
Increase in underlying need to borrow	3,621	7,300
Reduction in underlying need to borrow resulting from other changes in capital financing requirement	(14,647)	(8,876)
Increase/decrease in capital financing requirement	(11,026)	(1,576)

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 March 14	31 March 15	31 March 14	31 March 15	31 March 14	31 March 15
	£000	£000	£000	£000	£000	£000
Financial liabilities at amortised cost						
PWLB debt	(44,252)	(44,252)	(287)	(287)	(44,539)	(44,539)
Other borrowings	(101,340)	(101,285)	(82,210)	(69,638)	(183,550)	(170,923)
Deferred liabilities	(30,332)	(29,352)	(1,045)	(879)	(31,377)	(30,231)
Other liabilities	(8,412)	(8,422)	(477)	(498)	(8,889)	(8,920)
Trade creditors	0	0	(20,883)	(27,463)	(20,883)	(27,463)
Total financial liabilities	(184,336)	(183,311)	(104,902)	(98,765)	(289,238)	(282,076)
Loans and receivables:						
Investments	1,558	4,565	50,168	41,379	51,726	45,944
Contractual debtors (net of impairment)	1,461	0	10,411	17,651	11,872	17,651
Cash and cash equivalents	0	0	22,704	7,628	22,704	7,628
Available for sale investments:						
Long term investments at fair value	12,814	24,565	0	0	12,814	24,565
Total financial assets	15,833	29,130	83,283	66,658	99,116	95,788

Note: LOBOs (Local Authority Lender's Option Borrower's Option loans) of £39m 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	2013/14			2014/15		
	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	(27,452)	0	(27,452)	(10,428)	0	(10,428)
Impairment losses	0	2,277	2,277	0	0	0
Interest payable and similar charges	(27,452)	2,277	(25,175)	(10,428)	0	(10,428)
Interest income	0	1,215	1,215	0	1,398	1,398
Interest and investment income	0	1,215	1,215	0	1,398	1,398
Net (gain)/loss for the year	(27,452)	3,492	(23,960)	(10,428)	1,398	(9,030)

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 March 2014		31 Mar 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB - maturity	(44,539)	(60,885)	(44,539)	(74,135)
LOBOs	(102,644)	(129,391)	(102,584)	(159,378)
Short term borrowing	(80,819)	(80,819)	(68,227)	(68,227)
Other borrowing	(88)	(88)	(112)	(112)
Deferred liabilities	(31,378)	(31,377)	(30,231)	(30,231)
Other liabilities	(8,977)	(8,889)	(8,920)	(8,920)
Creditors	(20,883)	(20,883)	(27,463)	(27,463)
Total financial liabilities	(289,328)	(332,332)	(282,076)	(368,466)

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 March 2014		31 March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Deposits with banks and building societies	50,168	50,168	49,430	49,430
Cash and cash equivalents	22,704	22,704	7,628	7,628
Contractual debtors	11,872	11,872	17,651	17,651
Total financial assets	84,744	84,744	74,709	74,709

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 on the Council website.

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 £20.00m 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).

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 March 2014	31 March 2015
	£000	£000
Public works loans board	(44,252)	(44,252)
Market debt	(100,000)	(100,000)
Temporary borrowing	(80,800)	(68,200)
Other borrowing	(88)	(112)
Deferred liability (PFI)	(29,440)	(28,504)
Deferred liability (finance leases)	(1,937)	(1,727)
Other liabilities	(8,889)	(8,920)
Trade creditors	(20,883)	(27,463)
Total	(286,289)	(279,178)
Less than 1 year	(103,293)	(97,154)
Between 1 and 2 years	(1,358)	(499)
Between 2 and 5 years	(4,400)	(9,217)
Between 5 and 10 years	(12,259)	(9,061)
Between 10 and 20 years	(48,184)	(50,145)
Between 20 and 30 years	(10,469)	(6,781)
Between 30 and 40 years	(7,259)	(10,532)
Between 40 and 50 years	(17,659)	(14,397)
Over 50 years	(81,408)	(81,392)
Total	(286,289)	(279,178)

There is £39.0m in the over 50 year category of LOBO's which have a call date in the next 12 months.

£68.2m of short term borrowing in place at 31 March 2015 was taken under approved authority to meet the Council's capital financing and cash flow requirements to the end of the financial year. These loans can be repaid from cash flow and maturing deposits in 2014/15 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 loans 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 £1.5m 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, that is 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 March 2014	31 March 2015
	£000	£000
Amounts falling due in one year		
Central government departments	6,522	15,502
Public corporations and trading funds	21	7
NHS bodies	5,189	388
Other local authorities	1,652	3,417
Other entities and individuals	18,843	17,843
Total short term debtors	32,227	37,157

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 March 2014	Provision made in year	Provision used in year	31 March 2015
	£000	£000	£000	£000
General fund	(1,325)	(287)	143	(1,469)
Housing benefit overpayments provision	(2,514)	(813)	446	(2,881)
Collection fund	(3,231)	(1,879)	885	(4,225)
Total provisions for bad debt	(7,070)	(2,979)	1,474	(8,575)

14. Creditors

14.1 Short term creditors

Creditors payable within the next 12 months are:

Category of creditor	31 March 2014	31 March 2015
	£000	£000
Central government departments	(17,556)	(27,947)
Corporations and trading funds	(872)	0
NHS bodies	(1,113)	(857)
Other local authorities	(3,028)	(2,494)
Other entities and individuals	(51,560)	(62,857)
Total	(74,129)	(94,155)

14.2 Long term creditors

Creditors falling due after more than 12 months are:

Category of creditor	31 March 2014	31 March 2015
	£000	£000
Other local authorities	(16,120)	(16,521)
Other entities and individuals	(154)	(235)
Total	(16,274)	(16,756)

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 (that is pre 1 April 1998).

14.3 Other long term liabilities

Analysis of other long term liabilities	31 March 2014	31 March 2015
	£000	£000
PFI Finance Leases	(28,611)	(27,775)
Other Finance Leases	(1,721)	(1,673)
Tamar Science Park	(432)	(236)
Cornwall Council - re Tamar Bridge and Torpoint Ferry Joint Committee	(8,412)	(8,422)
Total	(39,176)	(38,106)

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 £13.901m and includes short term provisions £1.002m (2013/14 £1.917m) and long term provisions £12.899m (2013/14 £14,925m). The balance on the provisions at year end together with movement in the year is outlined below:

Analysis of provisions held	31 March 2014	Provision made in year	Payments used in year	Unused amounts reversed in year	31 March 2015
	£000	£000	£000	£000	£000
Insurance provisions	(6,574)	(2,726)	4,685	473	(4,142)
Landfill site provision	(9,214)	0	389	213	(8,612)
Other provisions	(1,054)	(972)	879	0	(1,147)
Total provisions	(16,842)	(3,698)	5,953	686	(13,901)

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 in 2014 to reflect the Council's on-going liability for the closed landfill site at Chelson Meadow. The provision has been calculated on the future maintenance costs over the next 54 years and is reviewed each year to take into account the actual maintenance costs spent in the year.

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.

There have been two large movements in the unusable reserves during the year. The pension reserve has decreased by a net figure of £129m mainly due to an increase in future obligations of £146m following a change in the financial assumptions used by the actuaries. The Tamar Bridge was revalued during the year using the replace cost valuation and this has reduced the value by £40m which is included in the revaluation reserve and the capital adjustment account.

Analysis of reserves	Note	31 March 2014	31 March 2015
		£000	£000
Usable reserves			
General fund balance		10,739	10,620
Earmarked general fund reserves	16.3	27,443	28,487
Capital receipts reserve	16.4	12,863	10,798
Capital grants and contributions unapplied	16.5	12,882	8,333
Total usable reserves		63,927	58,238
Unusable reserves			
Revaluation reserve	16.6	111,329	102,850
Capital adjustment account	16.7	301,448	257,273
Financial instruments adjustment account		(19,484)	(19,324)
Pensions reserve	16.9	(391,911)	(521,344)
Collection fund adjustment account		1,526	1,124
Accumulating compensated absences adjustment account		(4,182)	(3,838)
Deferred capital receipts		12	8
Available for sale financial instruments reserve		289	1,541
Total unusable reserves		(973)	(181,710)
Total reserves		62,954	(123,472)

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 £10.739m. After taking into account the revenue deficit for the year of £0.118m the balance at 31 March 2015 was £10.621m.

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 March 2014	Transfer to reserves in year	Transfers from reserves in year	31 March 2015
	£000	£000	£000	£000
Education/schools earmarked reserves	9,619	7,430	(8,245)	8,804
PCC earmarked reserves for policy/future liabilities	10,474	5,786	(4,621)	11,639
Other ringfenced reserves	3,201	663	(120)	3,744
Other reserves	4,149	5,425	(5,274)	4,300
Total earmarked reserves	27,443	19,304	(18,260)	28,487

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 2015 balance relating to the School budget share was £7.365m (31 March 2014: £8.189m).

PFI Reserve – The Council receives PFI credits towards the schools PFI contract at Wood View School 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 per cent 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	2013/14	2014/15
	£000	£000
Balance at 1 April	13,121	12,863
Add: Receipts from sales of assets, etc.	6,892	7,744
Equated interest	0	0
Total	20,013	20,607
Less:		
Housing pooled capital receipts paid to central government	(11)	(4)
Used to finance capital expenditure	(7,139)	(9,805)
Balance at 31 March	12,863	10,798

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	2013/14	2014/15
	£000	£000
Balance at 1 April	12,283	12,882
Capital grants and contributions recognised in the comprehensive income and expenditure statement in the year	34,997	26,301
Less used to finance Capital Expenditure	(34,398)	(30,850)
Balance at 31 March	12,882	8,333

In addition to the above balance, the Authority also held £34.967m of grants and contributions on the balance sheet at 31 March 2015 (£20.617m at 31 March 2014) 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](#).

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	2013/14	2014/15
	£000	£000
Balance at 1 April	115,422	111,329
Upward revaluation of assets	16,760	8,317
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the provision of services	(9,641)	(13,195)
Surplus or (deficit) on the revaluation of non-current assets not posted to the (surplus) or deficit on the provision of services	7,119	(4,878)
Transfer to capital adjustment account	0	0
Release of investment property balance	0	0
Difference between fair value depreciation and historical cost depreciation	(4,162)	(3,601)
Accumulated gains on assets sold or scrapped	(7,050)	0
Amount written off to the capital adjustment account	(11,212)	(3,601)
Balance at 31 March	111,329	102,850

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	2013/14	2014/15
	£000	£000
Balance at 1 April	326,741	301,448
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement:		
Charges for depreciation and impairment of non-current assets	(31,961)	(36,085)
Revaluation losses on property, plant and equipment	(5,157)	(43,398)
Amortisation of intangible assets	(655)	(689)
Revenue expenditure funded from capital under statute	(19,107)	(10,658)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(11,912)	(6,900)
Adjusting amounts written out of the revaluation reserve	4,162	4,158
Capital financing applied in the year:		
Use of the capital receipts reserve to finance new capital expenditure	7,139	9,805
Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	34,398	30,850
Amounts reserved for future capital financing:		
Statutory provision for the financing of capital investment charged against the general fund (includes TB&TFJC element)	9,505	9,110
Capital expenditure charged against general fund	4,209	2,670
Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement	(6,677)	(2,792)
Movement in the donated assets account credited to the comprehensive income and expenditure statement	0	0
Other movement on the CAA in year:		
Landfill site provision	(9,214)	(213)
Write down of long term debtors	(33)	(33)
Adjustment re pre 2004 leases	10	0
Balance at 31 March	301,448	257,273

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	2013/14	2014/15
	£000	£000
Balance at 1 April	(370,736)	(391,911)
Actuarial gains or losses on pensions assets and liabilities	(4,598)	(117,858)
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	(36,831)	(31,075)
Employer's pensions contributions and direct payments to pensioners payable in the year	20,130	19,901
(Increase)/decrease in Plymouth's share of net deficit in year of Devon County Council pension fund	124	(401)
Balance at 31 March	(391,911)	(521,344)

16.10 Collection fund adjustment account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and NDR 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	2013/14	2014/15
	£000	£000
Net surplus or (deficit) on the provision of services	(54,958)	(64,728)
Adjust net surplus or deficit on the provision of services for non-cash movements:		
Depreciation	31,962	27,336
Impairment and downward valuations	5,157	52,147
Amortisation	655	689
Material impairment losses on Investments debited to surplus or deficit on the provision of services in year	(2,277)	0
Soft loans (non-subsidiary) - interest adjustment credited to CIES account during year	0	0
Adjustments for effective interest rates	(1,202)	(55)
Increase/decrease in provision for impairments/doubtful debts re: loans and advances	0	0
Increase/decrease in interest creditors	(3,920)	6
Increase/decrease in creditors	5,282	4,047
Increase/decrease in interest and dividend debtors	140	159
Increase/decrease in debtors	(842)	(4,168)
Increase/decrease in inventories	(81)	(113)
Pension liability	19,062	10,470
Revised IAS 19 implementation	(4,015)	0
Contributions to/(from) provisions	8,867	(2,941)
Provision for equal pay	0	0
Accumulated absence	467	0
Carrying amount of non-current assets sold	11,912	6,900
Carrying amount of short and long term investments sold	0	0
Movement in Investment Property values	6,677	2,792
Total	77,844	97,269
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Capital grants credited to surplus or deficit on the provision of services	(34,998)	(26,302)
Proceeds from the sale of short and long term investments	42,392	93,075
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(6,885)	(7,740)
Total	509	59,033
Net cash flows from operating activities	23,395	91,574

Analysis of interest paid and received	2013/14	2014/15
	£000	£000
Ordinary interest received	909	754
Soft loans (non-subsiary) - interest adjustment credited to I+E account during year	0	0
Adjustment for Icelandic impairments	(115)	0
Opening debtor	202	150
Closing debtor	(150)	(289)
Interest received	846	615
Interest charge for year	(24,774)	(10,037)
Adjustments for differences between effective interest rates and actual interest payable	(1,202)	(55)
Adjustment for impairment losses on long and short term investments charged to interest payable	(2,277)	0
Opening creditor	(5,530)	(3,220)
Closing creditor	1,610	3,226
Interest paid	(32,173)	(10,086)
Dividend received	209	511
Opening debtor	0	88
Closing debtor	(88)	(210)
Dividend received	121	389

17.2 Cash flow statement – investing activities

Analysis of investing activities	2013/14	2014/15
	£000	£000
Property, plant and equipment purchased	(26,043)	(42,969)
Other capital payments	(169)	(619)
Opening capital creditors	(5,566)	(4,737)
Closing capital creditors	4,737	6,992
Movement on other capital creditors	0	0
Purchase of property, plant and equipment, investment property and intangible assets	(27,041)	(41,333)
Purchase of short and long term investments	(87,575)	(97,645)
Long term loans granted	(404)	(1,179)
Other payments for investing activities	(404)	(1,179)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	1,523	7,744
Proceeds from short term investments	0	0
Proceeds from short-term and long-term investments	0	0
Other capital cash receipts	5,455	(1,891)
Capital grants received	44,386	41,618
Other capital cash receipts in advance	0	0
Other receipts from investing activities	49,841	39,727
Total cash flows from investing activities	(63,656)	(92,686)

17.3 Cash flow statement – financing activities

Analysis of financing activities	2013/14	2014/15
	£000	£000
Cash receipts of short and long term borrowing	357,177	472,274
Billing authorities - council tax and NDR adjustments	1,189	140
Repayment of short-term and long-term borrowing	(359,330)	(485,328)
Payments for the reduction of a finance lease liability	(250)	(220)
Payments for the reduction of a PFI liability	(808)	(830)
Total cash flows from financing activities	(2,022)	(13,964)

17.4 Cash flow statement – cash and cash equivalent

Analysis of cash and cash equivalents	2013/14	2014/15
	£000	£000
Cash and bank balances	1,690	1,121
Cash investments - regarded as cash equivalents	19,527	5,136
Tamar Bridge and Torpoint Ferry	1,487	1,371
Total	22,704	7,628

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 table below shows the final outturn for 2014/15 analysed by service as reported to the Authority's Cabinet:

	Executive Office	Corporate Items	Transformation and Change	People Directorate	Place Directorate	Office of Director of Public Health	Total
2014/15	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	105	(2,722)	13,824	25,532	34,289	3,846	74,874
Government grants and contributions	41	11,272	107,710	266,659	10,427	12,503	408,612
Total	146	8,550	121,534	292,191	44,716	16,349	483,486
Employee expenses	(3,412)	(6,062)	(23,143)	(131,460)	(20,374)	(3,958)	(188,409)
Other operating Expenses	(603)	71,215	(129,002)	(284,866)	(54,303)	(12,418)	(409,977)
Support service recharges	0	(296)	(361)	(3,064)	(383)	(178)	(4,282)
Total	(4,015)	64,857	(152,506)	(419,390)	(75,060)	(16,554)	(602,668)
Net cost of services 2014/15	(3,869)	73,407	(30,972)	(127,199)	(30,344)	(205)	(119,182)

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	(119,182)
Add adjustments and amounts not reported in management accounts (including Tamar Bridge and Torpoint Ferry Joint Committee)	(99,005)
Add net expenditure of services not included in the main analysis (trading)	8
Remove amounts reported to management not included in comprehensive income and expenditure	(49,615)
Net cost of services in comprehensive income and expenditure statement	(267,794)

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 and amounts not in management accounts	Services not in main analysis	Not included in I&E	Net cost of services	Corporate amounts	Total
2014/15	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	73,596	(7,586)	10,254	(10,361)	65,903	18,900	84,803
Government grants and contributions	408,612	(111,090)	0	(10,749)	286,773	228,082	514,855
Interest and Investment income	1,278	0	0	(1,278)	0	5,714	5,714
Total income	483,486	(118,676)	10,254	(22,388)	352,676	252,696	605,372
Depreciation, amortisation and impairment	85,697	(65,452)	0	(85,697)	(65,452)	(936)	(66,388)
Employee expenses	(188,409)	3,452	(1,986)	23,168	(163,775)	(22,099)	(185,874)
Gain or loss on disposal of fixed assets	0	0	0	0	0	(3,826)	(3,826)
Interest payments	(3,347)	0	0	3,347	0	(19,850)	(19,850)
Other service expenses	(492,276)	112,592	(7,344)	30,986	(356,042)	(906)	(356,948)
Payments to housing capital receipts pool	0	0	0	0	0	(3)	(3)
Precepts and levies	(51)	0	0	51	0	(51)	(51)
Support service recharges	(4,282)	(30,921)	(916)	918	(35,201)	(1,959)	(37,160)
Total operating expenses	(602,668)	19,671	(10,246)	(27,227)	(620,470)	(49,630)	(670,100)
Surplus or deficit on the provision of services 2014/15	(119,182)	(99,005)	8	(49,615)	(267,794)	203,066	(64,728)

Amounts reported for resources allocation decisions (2013/14 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:

2013/14	Executive Office	Corporate Items	Corporate Services	People Directorate	Place Directorate	Total
	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	1,096	9,099	44,534	25,460	28,189	108,378
Government grants and contributions	65	2,258	106,013	293,798	5,134	407,268
Total	1,161	11,357	150,547	319,258	33,323	515,646
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)
Total	(3,001)	(22,043)	(161,098)	(462,153)	(79,967)	(728,262)
Net cost of services 2013/14	(1,840)	(10,686)	(10,551)	(142,895)	(46,644)	(212,616)

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 and 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
Net cost of services in comprehensive income and expenditure statement	(232,904)

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.

2013/14	Service Analysis	Adjustments and amounts not in management accounts	Services not in main analysis	Not included in I&E	Net cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	103,612	(7,783)	10,595	(51,159)	55,265	7,765	63,030
Government grants and 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
Total Income	515,646	(132,943)	10,648	(58,516)	334,835	247,481	582,316
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)
Total operating expenses	(728,262)	98,053	(8,852)	71,322	(567,739)	(70,378)	(638,117)
Net cost of services 2013/14	(212,616)	(34,890)	1,796	12,806	(232,904)	177,103	(55,801)

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 2014/15, 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 and Cornwall Police and Crime Commissioner and Devon and Somerset Fire and 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 [83 to 87](#).

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 £0.937m (2013/14: £0.917m) to its Members in the year made up as follows:

Analysis of Members allowance	2013/14	2014/15
	£000	£000
Basic allowance	576	581
Special responsibility allowance	336	354
Travel, subsistence and other expenses	5	2
Total	917	937

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 found on the Council's website or you can obtain a copy by in writing to 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 2014/15.

Senior management post	Financial year	Salaries	Fees and allowances	Redundancy payments	Pension contributions	Total remuneration	Notes
Salary over £150,000		£	£	£	£	£	
Chief Executive	2014/15	150,000	11,232	0	20,550	181,782	Tracey Lee started 29/10/2012. 2013/14 and 2014/15 figures include payments for election duties (payment is higher due to the Full Council and European elections in 2014/15).
	2013/14	150,000	2,040	0	21,511	173,551	
Salary over £50,000 but less than £150,000							
Assistant Chief Executive	2014/15	70,929	3,755	0	10,225	84,909	The position holder was appointed as the Assistant Chief Executive on 01/06/2014.
	2013/14	0	0	0	0	0	
Strategic Director for People	2014/15	129,699	604	0	17,769	148,072	Job title changed from Director for People to Strategic Director for People on 01/01/2014.
	2013/14	129,699	1,239	0	18,547	149,485	
Strategic Director for Place	2014/15	114,637	410	0	15,705	130,752	Job title changed from Director for Place to Strategic Director for Place on 01/01/2014.
	2013/14	114,637	601	0	16,393	131,631	
Director for Transformation	2014/15	20,955	0	0	2,871	23,826	The position holder was appointed as the Director for Transformation on 26/01/2015. An Interim Director was appointed for the period 28/10/2013 - 24/10/2014. Their remuneration is not included in these figures but disclosed below separately.
Director for Corporate Services	2013/14	39,932	8	0	5,993	45,933	The position holder left the council on the 28/08/2013. This post has now been replaced by the Director for Transformation.

Senior management post	Financial year	Salaries	Fees and allowances	Redundancy payments	Pension contributions	Total remuneration	Notes
Director for Public Health	2014/15	103,499	18,118	0	10,636	132,253	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. The position holder was appointed on 01/04/2014. Market Forces Supplement of £3,386.04 paid in 2014/15.
	2013/14	36,275	3,947	0	5,529	45,751	
Assistant Director for Democracy and Governance	2014/15	38,902	0	5,241	6,074	50,217	The position holder was also the monitoring officer and left the Council on 09/10/2014. The monitoring officer position was taken over by the Head of Legal Services from 10/10/2014.
	2014/15	35,196	4,835	0	4,822	44,853	
	2013/14	84,606	201	0	12,099	96,906	
Assistant Director for Adult Social Care	2014/15	85,030	434	0	11,649	97,113	Position holder left on 05/05/2013, new AD started 07/05/2013. Job title changed from Assistant Director for Co-operative Commissioning and Adult Social Care to Assistant Director for Adult Social Care on 14/12/2014.
	2013/14	84,606	266	0	12,099	96,971	
	2013/14	8,188	0	0	1,171	9,359	
Assistant Director for Environmental Services	2014/15	0	0	0	0	0	Position holder left on 18/01/2014. The post has been deleted. Pension contribution includes strain payment made to the Pension Fund.
	2013/14	67,548	0	12,150	199,536	279,234	
Assistant Director for Finance	2014/15	85,030	553	0	11,649	97,232	Job title changed from Assistant Director for Finance, Assets Technology and Assets to Assistant Director for Finance on 01/01/2014. The position holder left the Council on 31/03/2015.
	2013/14	84,606	452	0	12,099	97,157	
Assistant Director for HR and Organisational Development	2014/15	0	0	0	0	0	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. Their remuneration is not included in these figures but disclosed below separately.
	2013/14	63,455	248	0	9,074	72,777	
Assistant Director for Economic Development	2014/15	85,030	288	0	11,649	96,967	Reduction in salary in 2013/14 is due to opting to use salary sacrifice scheme.
	2013/14	83,634	241	0	12,099	95,974	

Senior management post	Financial year	Salaries	Fees and allowances	Redundancy payments	Pension contributions	Total remuneration	Notes
Assistant Director for Learning and Communities	2014/15	98,424	1,138	0	13,484	113,046	Job title changed from Assistant Director for Education, Learning and Families to Assistant Director for Learning and Communities on 14/12/2014.
	2013/14	98,000	2,233	0	14,014	114,247	
Assistant Director for Children, Young People and Families	2014/15	90,427	862	0	12,388	103,677	Job title changed from Assistant Director for Children's Social Care to Assistant Director for Children, Young People and Families on 14/12/2014.
	2013/14	90,003	4,610	0	12,870	107,483	
Assistant Director for Strategic Planning and Infrastructure	2014/15	85,030	194	0	11,649	96,873	Position holder appointed to current role on 01/01/2014, annual salary £84,606. Previously AD for Planning, annual salary £69,696.
	2013/14	73,424	237	0	10,500	84,161	
Assistant Director for Transport and Infrastructure	2014/15	0	0	0	0	0	Assistant Director for Transport and Infrastructure left the Council on 03/03/2014. Salary for 2013/14 includes pay in lieu of leave. The post has been deleted.
	2013/14	88,748	443	93,502	13,472	196,165	
Assistant Director for Homes and Communities	2014/15	89,284	355	34,443	12,155	136,237	Assistant Director for Home and Communities left the Council on 31/01/2015. Salary for 2014/15 includes pay in lieu of leave. The post has been deleted.
	2013/14	69,696	0	0	9,967	79,663	
Assistant Director for Customer Services	2014/15	51,496	8,000	0	0	59,496	Original post holder left on 31/10/2013. Negative fees and allowances figures are due to repayment of relocation expenses. An Acting AD was appointed for the period of 01/11/2013 - 06/07/2014. The current position holder was appointed as the Assistant Director for Customer Services on 07/07/2014.
	2014/15	18,548	74	0	2,541	21,163	
	2013/14	29,040	354	0	4,153	33,547	
	2013/14	40,656	(2,662)	0	5,814	43,808	

* 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 and allowances	Pension contributions	Total remuneration	Notes
Director for Transformation (Interim)	2014/15				111,244	David Trussler started 12/08/2013 and left 24/10/2014.
	2013/14				116,552	
Director of Public Health (Interim)	2014/15				9,104	Stephen Horsley started 28/10/2013 and left 04/04/2014.
	2013/14				84,435	
Acting Director of Public Health	2013/14				16,344	Debbie Stark was seconded to PCC 1 day a week for 3 months.
Assistant Director for Street Scheme Services (Interim)	2014/15				168,556	Simon Dale started 23/12/2013.
	2013/14				45,058	
Assistant Director for HR and Org Development (Interim)	2014/15				50,917	Chris Squires started 07/01/2014.
	2013/14				14,750	
Head of Portfolio Office (Transformation)	2014/15				101,108	Sue Thomas started 14/10/2013 and left 24/10/2014.
	2013/14				71,967	
Head of Business Technology Architecture (Transformation)	2014/15				109,154	Hugh Van Wijk started 20/01/2014 and left 24/10/2014.
	2013/14				47,086	

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](#).

Remuneration Bandings	2013/14		2014/15	
	Schools	Non schools	Schools	Non schools
£50,000 - £54,999	21	20	18	29
£55,000 - £59,999	27	17	18	14
£60,000 - £64,999	22	11	26	8
£65,000 - £69,999	13	3	10	3
£70,000 - £74,999	4	5	4	3
£75,000 - £79,999	1	1	2	3
£80,000 - £84,999	3	3	1	0
£85,000 - £89,999	1	1	1	1
£90,000 - £94,999	0	1	0	0
£95,000 - £99,999	1	1	1	1
£100,000 - £109,999	0	1	0	0
£110,000 - £119,999	0	1	0	0
£120,000 - £129,999	0	0	0	0
£130,000 - £139,999	0	1	0	0
£140,000 - £185,999	0	2	0	0
Total	93	68	81	62

21.3 Employee exit packages

The authority incurred costs during 2014/15 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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£							£000	£000
00,000 - 20,000	60	54	37	36	97	90	594	654
20,001 - 40,000	11	8	0	0	11	8	275	205
40,001 - 60,000	5	3	0	0	5	3	225	135
60,001 - 80,000	0	1	0	0	0	1	0	60
80,001-100,000	2	1	0	0	2	1	178	95
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	1	0	0	0	1	0	202	0
Total	79	67	37	36	116	103	1,474	1,149

The Authority terminated the contracts of a number of employees in 2014/15 including school based staff, incurring liabilities of £1.149m (2013/14 £1.474m). This includes a sum of £0.297m 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	2013/14	2014/15
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	181	181
Fees payable to Grant Thornton for the certification of grant claims and returns	24	23
Fees payable in respect of other services provided by the appointed auditor.	17	5
Total	222	209

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 2014/15:

Government grants credited to services	Restated 2013/14	2014/15
	£000	£000
DSG and other education grants	131,226	128,858
Housing Benefit and Council Tax Benefit subsidy	100,579	101,920
Public Health Grant	11,160	12,276
Learning and Skills Council	6,307	4,227
City Deal Grants	0	3,668
New Homes Bonus	2,838	3,327
Early Intervention Grant	0	2,319
Benefits Admin Grant	2,270	2,138
Plymouth Connect	0	1,155
Local Welfare Provision	1,064	1,049
Other Revenue Grants	4,200	4,601
Total revenue grants received	259,644	265,538

The above revenue grants are in addition to the non-ring-fenced Government grants reported in note [7](#).

The Dedicated Schools Grant has been deployed in accordance with regulations made under section 45A, 45AA, 47, 48(1) (2) and 138(7) of, and paragraph 1(7)(b) of section 14 to, the Standards Framework Act 1998 (England).

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

Capital grants and contributions by grant	Restated 2013/14	2014/15
	£000	£000
Big Lottery	616	537
Department for Transport	6,312	12,718
Department of Communities and Local Government	916	937
Department for Education and Skills	24,636	7,935
Environment Agency	495	1,178
Other Grants and Contributions	2,022	2,996
Total grants and contributions received	34,997	26,301

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

Capital grants and contributions recognised in the CIES	Restated 2013/14	2014/15
	£000	£000
Children's and Education Services	16,675	5,138
Housing Services	1,939	1,089
Other Grants and Contributions	1,165	1,494
Total recognised in the surplus/deficit on continuing operations	19,779	7,721
Financing and investment income and expenditure	70	91
Total recognised in the surplus/deficit on continuing operations	19,849	7,812
Taxation and non-specific grant income	15,148	18,489
Total recognised in the (surplus) or deficit on provision of services	34,997	26,301

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 2015 are £5.196m (2014 £5.194m). The Capital Grants received in Advance for the year ended 31 March 2015 are £34.967m (2014 £20.617m).

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	Restated 2013/14		2014/15	
	Receipts	Payments	Receipts	Payments
Subsidiary, associated and jointly controlled organisations	£000	£000	£000	£000
Plymouth Investment Partnerships Ltd (PIP)	567	0	67	0
Tamar Science Park Ltd	0	(5)	0	(2)
The PLUSS Organisation Ltd	26	(615)	0	(609)
DELT Shared Services Ltd	0	0	618	(2,208)
Assisted organisations				
Careers South West	0	(1,217)	0	(926)
Destination Plymouth	1	(204)	2	(128)
Devon and Cornwall Housing Association (including Independent Futures for ASC)	17	(51)	36	(1,479)
Devon Audit Partnership	25	(418)	19	(338)
Millfields CEDT	98	(92)	9	0
Mount Batten Sailing and Water Sports Centre	2	(122)	2	(117)
Plymouth Access to Housing	39	(146)	3	(222)
Plymouth Citizens Advice Bureaux	0	(619)	0	(629)
Plymouth City Centre Company	224	0	238	(654)
Plymouth Waterfront Partnership	90	(300)	111	(255)
Routeways Board	12	(380)	12	(251)
Shekinah Mission	1	(261)	2	(150)
Wolseley CEDT	325	(415)	12	(138)
Totals	1,427	(4,845)	1,131	(8,106)

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 (for example Housing Benefits). Details of transactions with Government Departments are set out in note [23](#).

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 71 declarations of Related Party Transactions for 2014/15, a response rate of 94 per cent.

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 2014/15 depreciation of £0.221m (2013/14: £0.237m) 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 March 14	31 March 15
	£000	£000
Current	217	45
Non-current	1,721	1,682
Finance costs payable in future years	3,550	3,403
Minimum lease payments	5,488	5,130

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

Analysis of leasing obligations	Minimum lease payments		Finance lease liabilities	
	31 March 14	31 March 15	31 March 14	31 March 15
	£000	£000	£000	£000
Not later than one year	364	181	217	45
Later than one year and not later than five years	684	677	162	169
Later than five years	4,440	4,272	1,559	1,514
Total	5,488	5,130	1,938	1,728

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 March 14	31 March 15
	£000	£000
Not later than one year	564	877
Later than one year and not later than five years	2,630	2,950
Later than five years	6,011	5,542
Total	9,205	9,369

The minimum lease payment charged in the Comprehensive Income and Expenditure Statement during the year in relation to these assets was £0.694m (£1.356m in 2013/14).

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 March 14	31 March 15
	£000	£000
Not later than one year	5,212	5,233
Later than one year and not later than five years	17,491	18,233
Later than five years	358,710	367,360
Total	381,413	390,826

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 £5.333m was made in 2014/15 (£5.278m 2013/14). 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 2014/15	1,933	826	2,574	5,333
Payable in 2015/16	2,055	834	2,501	5,390
Payable within two to five years	9,111	3,831	9,225	22,167
Payable within six to ten years	13,445	6,281	9,461	29,187
Payable within eleven to fifteen years	15,937	8,748	6,345	31,030
Payable within sixteen to twenty years	11,817	8,810	1,772	22,399
Total	54,298	29,330	31,878	115,506

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	2013/14	2014/15
	£000	£000
Balance outstanding 1 April	30,247	29,440
Payments during the year	(807)	(826)
Balance outstanding 31 March	29,440	28,614

The Council has secured PFI credits to the value of £53m, to which interest is added resulting in total Government support of £105.871m over the contract period, and this together with an annual

contribution from the Council 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.

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 2014/15, Plymouth City Council paid £5.456m to Teachers' Pensions in respect of teachers' retirement benefits, representing 11.11 per cent of pensionable pay. The figures for 2013/14 were £6.371m and 11.06 per cent. There were no contributions remaining payable at the year-end. In 2014/15 the minimum contribution was 6.4 per cent of salary, the maximum was 12.4 per cent.

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 and 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 per cent interest.

Pension Information for Plymouth City Council Scheme (PCC)

Transactions relating to post-employment benefits

The Council recognises the cost of retirement benefits in the surplus/deficit on continuing services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the cash payable in the year, and the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive income and expenditure statement	2013/14	2014/15
	£000	£000
Cost of services		
Service cost	20,775	14,202
Financing and investment income and expenditure		
Net interest expense	15,358	16,117
Other operating expenditure		
Administration expenses	290	303
Total post-employment benefit charged to the surplus or deficit on the provision of services	36,423	30,622
Other post-employment benefits charged to the comprehensive income and expenditure statement		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(841)	(30,009)
Actuarial gains and losses arising on changes in demographic assumptions	1,603	0
Actuarial gains and losses arising on changes in financial assumptions	18,800	146,505
Experience gain/(loss) on defined benefit obligation	(15,070)	313
Other (if applicable)	(599)	0
Total post-employment benefits charged to the comprehensive income and expenditure statement	40,316	147,431
Movement in reserves statement		
Reversal of net charges made to the surplus of deficit on the provision of services for post-employment benefit in accordance with the code	(36,423)	(30,622)
Actual amount charged against the general fund balance for pensions in the year:		
Employers' contribution payable to scheme	16,465	19,618
Retirement benefits payable to pensioners	3,407	3,408
Adjustment re: net increase/(decrease) pre LGR pension Liability	124	(401)

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)	2013/14	2014/15
	£000	£000
Opening balance at 1 April	(868,939)	(913,012)
Current service cost	(23,564)	(20,658)
Interest cost	(38,465)	(40,101)
Change in financial assumptions	(18,800)	(146,505)
Change in demographic assumptions	(1,603)	0
Experience loss/(gain) on defined benefit obligation	15,070	(313)
Liabilities assumed/(extinguished) on settlements	2,580	13,159
Estimated benefits paid net of transfers in	24,999	28,088
Past service costs, including curtailments	(828)	(337)
Contributions by scheme participants	(5,525)	(5,484)
Unfunded pension payments	2,063	2,094
Closing present value of liabilities	(913,012)	(1,083,069)

Reconciliation of the movements in the fair value of scheme (plan) assets	2013/14	2014/15
	£000	£000
Opening fair value of scheme assets	516,252	539,882
Interest income	23,107	23,983
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	841	30,009
Other actuarial gains/(losses)	599	0
Administration expenses	(290)	(303)
Contributions from employer	19,872	19,618
Contributions from employees into the scheme	5,525	5,484
Benefits paid	(27,061)	(30,182)
Settlement prices received/(paid)	1,037	(6,366)
Closing present value of assets	539,882	582,125
Closing balance at 31 March	(373,130)	(500,944)

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 £500.944m 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 2016 is £16.249m.

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	2013/14	2014/15
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.7	22.8
Women	26.0	26.1
Longevity at 65 for future pensioners:		
Men	24.9	25.1
Women	28.3	28.4
Rate of inflation (CPI)	2.8%	2.4%
Rate of increase in salaries	4.6%	4.2%
Rate of increase in pensions	2.8%	2.4%
Rate for discounting scheme liabilities	4.5%	3.3%

Impact on the defined benefit obligation in the scheme	Decrease in assumption	No Change	Increase in assumption
	£000	£000	£000
Longevity (increase or decrease in 1 year)	(1,121,246)	1,083,069	1,045,232
Rate of increase in salaries (increase or decrease by 1%)	(1,080,572)	1,083,069	1,085,582
Rate of increase in pensions (increase or decrease by 1%)	(1,065,264)	1,083,069	1,101,224
Rate for discounting scheme liabilities (increase or decrease by 1%)	(1,103,576)	1,083,069	1,062,962

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 March 2014	31 March 2015
	per cent	per cent
Equities	75	74
Gilts	7	6
Property	11	13
Cash	2	2
Other investments	5	5
Total	100	100

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:

Pensions assets and liabilities recognised in the balance sheet	2013/14	2014/15
	£000	£000
Present value of the defined benefit	875,611	1,041,968
Fair value of plan assets	(539,882)	(582,125)
Net liability	335,729	459,843
Other movements in the liability	37,401	41,101
Net liability arising from defined benefit obligation	373,130	500,944

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

Comprehensive income and expenditure statement	2013/14	2014/15
	£'000	£'000
Cost of services:		
Service cost	325	337
Financing and investment income and expenditure:		
Net interest expense	84	116
Total post-employment benefits charged to the surplus or deficit on the provision of services	409	453
Other post-employment benefits charged to the comprehensive income and expenditure statement		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(2)	(401)
Actuarial gains and losses arising on changes in demographic assumptions	221	0
Actuarial gains and losses arising on changes in financial assumptions	220	1,482
Experience gain/(loss) on defined benefit obligation	266	(32)
Total post-employment benefits charged to the comprehensive income and expenditure statement	1,114	1,502
Movement in reserves statement		
Reversal of net charges made to the surplus of deficit on the provision of services for post-employment benefit in accordance with the code	(409)	(453)
Actual amount charged against the general fund balance for pensions in the year:		
Employers' contribution payable to scheme	258	283

27.9 Assets and liabilities in relation to post-employment benefits (TB and TFJC)

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	2013/14	2014/15
	£000	£000
Opening balance at 1 April	(8,044)	(9,280)
Current service cost	(325)	(337)
Interest cost	(366)	(402)
Contributions from scheme participants	(78)	(89)
Re-measurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	(221)	(1,482)
Actuarial gains/losses arising from changes in financial assumptions	(220)	0
Experience loss/(gain) on defined benefit obligation	(266)	32
Benefits paid	240	241
Closing present value of liabilities	(9,280)	(11,317)

Reconciliation of the movements in the fair value of scheme (plan) assets	2013/14	2014/15
	£000	£000
Opening fair value of scheme assets	6,238	6,618
Interest income	282	287
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	2	401
Contributions from employer	258	283
Contributions from employees into the scheme	78	88
Benefits paid	(240)	(239)
Closing fair value of scheme assets	6,618	7,438
Closing balance at 31 March	(2,662)	(3,879)

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 £3.879m 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 2016 is £0.297m.

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 2014.

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 per cent/25 per cent. 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.

We currently have a contract with PLUSS for the provision of the supported employment and employment opportunities service. The Council is considering a range of options including whether to continue to provide the service. Should the Council decide to continue, it would need to procure the service in the market and there is no guarantee that the Company would be awarded the contract. If PLUSS lost this contract and/or any contract with any member authority it could affect their viability and therefore the loan and overdraft monies.

The member authorities are presently reviewing options for the future direction of the Company and their future involvement and any firm proposals will be progressed through the Council's democratic process.

2. 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 intends to vacate the building fully by September 2015 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.

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.

The Council has now received a satisfactory offer for the building and has agreed a sale, subject to contract. If the sale proceeds then the annual operating and maintenance costs will cease.

3. 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.

4. 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.

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2015

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.

2013/14				Note	2014/15		
Business rates	Council tax	Total			Business rates	Council tax	Total
£000	£000	£000	Income		£000	£000	£000
0	(102,400)	(102,400)	Council tax receivable	<u>1</u>	0	(105,314)	(105,314)
(87,452)	0	(87,452)	Business rates receivable	<u>2</u>	(90,594)	0	(90,594)
(87,452)	(102,400)	(189,852)			(90,594)	(105,314)	(195,908)
			Expenditure				
			Apportionment of previous year's surplus				
0	0	0	Central Government		146	0	146
0	0	0	Plymouth City Council		143	1,518	1,661
0	23	23	Devon and Cornwall Police and Crime Commissioner		0	195	195
0	11	11	Devon and Somerset Fire and Rescue Service		3	90	93
0	34	34			292	1,803	2,095
			Precepts, demands and shares	<u>3.1, 3.2</u>			
42,994	0	42,994	Central Government		43,953	0	43,953
42,134	85,007	127,141	Plymouth City Council		43,074	86,838	129,912
0	10,909	10,909	Devon and Cornwall Police and Crime Commissioner		0	11,144	11,144
860	5,048	5,908	Devon and Somerset Fire and Rescue Service		879	5,157	6,036
85,988	100,964	186,952			87,906	103,139	191,045
			Charges to the collection fund				
183	738	921	Write offs of uncollectable amounts		414	562	976
141	(431)	(290)	Increase/(decrease) in bad debt provision	<u>4.1, 4.2</u>	253	891	1,144
1,380	0	1,380	Increase/(decrease) in provision for appeals	<u>5</u>	(40)	0	(40)
310	0	310	Cost of collection allowance		309	0	309
2,014	307	2,321			936	1,453	2,389
550	(1,095)	(545)	(Surplus)/deficit for the year		(1,460)	1,081	(379)
			Collection fund balance				
0	(992)	(992)	Balance as at 1 April		550	(2,087)	(1,537)
550	(1,095)	(545)	(Surplus)/deficit for the year (as above)		(1,460)	1,081	(379)
550	(2,087)	(1,537)	Balance as at 31 march		(910)	(1,006)	(1,916)
			Allocated to:	<u>6</u>			
275	0	275	Central Government		(455)	0	(455)
270	(1,796)	(1,526)	Plymouth City Council		(446)	(885)	(1,331)
0	(199)	(199)	Devon and Cornwall Police and Crime Commissioner		0	(83)	(83)
5	(92)	(87)	Devon and Somerset Fire and Rescue Service		(9)	(38)	(47)
550	(2,087)	(1,537)	Total allocated		(910)	(1,006)	(1,916)

NOTES TO THE COLLECTION FUND

1. Council Tax Income

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based on an estimated 1 April 1991 value for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority and the City Council for the forthcoming year and dividing this by the Council Tax base. The tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and estimated collection rates: 67,066 in 2014/15 (66,958 in 2013/14).

The basic amount of Council Tax for a Band D property (£1,537.86 for 2014/15) is multiplied by the proportion specified for the particular band to give an individual amount due. The calculation of the Council Tax Base is shown in the following table:

Band	No of properties before discounts	No of properties after discounts	Band D equivalents	Estimated collection rates	Adjusted band D equivalents
A	43,857	26,883	17,874	97.5%	17,427
B	29,457	23,090	17,950	97.5%	17,501
C	20,822	18,206	16,176	97.5%	15,772
D	8,478	7,767	7,764	97.5%	7,570
E	4,451	4,197	5,129	97.5%	5,001
F	1,620	1,514	2,186	97.5%	2,131
G	514	481	800	97.5%	780
H	28	20	40	97.5%	39
	109,227	82,158	67,919		66,221
Adjustment for MOD properties					845
Tax base totals			67,919		67,066

The Council Tax Base was calculated at the time the 2014/15 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 £103.138m (67,066 x £1,537.86). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £105.314m (2013/14 £102.400m) made up of £105.467m from Council Tax payers with a reduction of £0.153m due to previous years' adjustments relating to the Council Tax Benefit scheme.

2. Income from Business Ratepayers

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government, which was 48.2p in 2014/15 (47.1p in 2013/14).

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

The business rates shares payable for 2014/15 were estimated before the start of the financial year as £44.099m to Central Government, £0.882m to DSFRA and £43.734m to Plymouth City Council.

These sums have been paid during 2014/15 and charged to the Collection Fund in year and include the previous year's surplus.

When the scheme was introduced the Government set a baseline funding level (based on local demand for services) for each authority and applied the system of tariffs and top-ups to ensure all authorities receive their baseline amount. In 2014/15 Plymouth had a baseline amount of £51.953m and received a top-up of £8.990m 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 £48.057m. As our adjusted retained income is above this level no safety net payment was due to Plymouth for 2014/15.

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 2015 the Council included a provision of £1.340m.

For 2014/15, the total non-domestic rateable value at the end of the year was £225.198m (£224.317m in 2013/14).

The total income from ratepayers in 2014/15 was £90.594m (£87.452m in 2013/14).

This sum included £0.568m 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 and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority are partly financed from the Council Tax. The sums required from Council Tax by the Council, Fire Authority and Police Commissioner are determined by each body as part of the budget process and are called demands (Council) and precepts (Fire and Police). The income from Council Tax payers is paid into the Collection Fund and payments are made by the Collection Fund for the demands and precepts due to the Council, Fire Authority and Police Commissioner.

3.2. Non-Domestic Rates

As described in Section 2 above, the administration of NDR is governed by the Retained Business Rate Scheme.

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

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 2014/15, £1.453m (£0.307m in 2013/14) was contributed to the Account and £0.562m (£0.738m in 2013/14) of irrecoverable debt was written off. The bad debts provision for this year is £2.579m (2013/14 £1.668m) and the movement in the provision is shown below:

Movement in council tax allowance for non-collectability of debt account	2013/14	2014/15
	£000	£000
Balance brought forward 1 April	2,119	1,688
Write offs	(738)	(562)
Contributions in year	307	1,453
Net change in provision	(431)	891
Balance at 31 March	1,688	2,579

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 £0.407m leaving a balance of £2.172m 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. 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 NDR allowance for non-collectability of debt account	2013/14	2014/15
	£000	£000
Balance brought forward 1 April	576	717
Write offs	(183)	(414)
Contributions in year	324	667
Net change in provision	141	253
Balance at 31 March	717	970

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 NDR allowance for non-collectability of debt account (Plymouth share)	2013/14	2014/15
	£000	£000
Balance brought forward 1 April	282	351
Write offs	(90)	(203)
Contributions to provision	159	327
Net change in provision	69	124
Closing balance at 31 March	351	475

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 March 2015.

Movement in NDR allowance for appeals	2013/14	2014/15
	£000	£000
Balance brought forward 1 April	0	1,380
Provision used in year	0	(742)
Contributions to provision	1,380	702
Net change in provision	1,380	(40)
Closing balance at 31 March	1,380	1,340

The Council's proportionate share of the provision for appeals for this year is £0.657m (2013/14 £0.676m), the proportionate share of the preceptors are shown on the Balance Sheet as Debtors.

Movement in NDR allowance for appeals (Plymouth share)	2013/14	2014/15
	£000	£000
Balance brought forward 1 April	0	676
Provision used in year	0	(364)
Contributions to provision in relation to prior years	676	344
Net change in provision	676	(20)
Closing balance at 31 March	676	656

6. Distribution of Collection Fund Surpluses and Deficits

The net accumulated surplus on the Collection Fund at 31 March 2015 amounts to £1.916m (2013/14 £1.537m) with £1.006m surplus relating to Council Tax collection, £0.001m surplus relating to Community Charge and £0.910m surplus relating to NDR.

The net surplus relating to Council Tax and Community Charge will be repaid to the City Council, Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority in 2015/16 and 2016/17 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 2016/17.

The £1.006m surplus is apportioned as follows: Plymouth City Council £0.885m, Devon and Cornwall Police and Crime Commissioner £0.083m and Devon and Somerset Fire and Rescue Authority £0.038m.

The surplus relating to the NDR will be apportioned between Plymouth City Council, Devon and Somerset Fire and Rescue Authority and the Government based on their proportionate shares in 2016/17.

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PLYMOUTH CITY COUNCIL

Subject: Statement of Accounts 2014/15
Committee: Audit Committee
Date: 17 September 2015
Cabinet Member: Councillor Mark Lowry
CMT Member: Andrew Hardingham (Assistant Director for Finance)
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Contact details Tel: 01752 304212
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Ref: FIN/CF
Key Decision: No
Part: 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 25 June 2015.

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 2015.

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 2014/15 is attached at Appendix A. This might be subject to minor changes to wording and the changes will be highlighted at the committee meeting.

The Brilliant Co-operative Council Corporate Plan 2014/15 - 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 2014/15 final accounts will have implications on the Medium Term Financial Plan. The level of Working Balance and reserves will affect the level of funding available in future years and variations in service expenditure will also need to be reviewed to assess the effects on future years.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety 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 2014/15 as agreed with the Auditor, and outlined in this report.
 2. The Statement of Accounts for 2014/15 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:

[Statement of Accounts 2014/15 Report to June 2015 Audit Committee](#)
[Draft \(Pre Audit\) Statement of Accounts 2014/15](#)
[Annual Governance Statement 2014/15](#)

Background papers:

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

Sign off:

Fin	djn15 16.33	Leg	23785 DVS	Mon Off	23785 DVS	H R		Assets		IT		Strat Proc	
Originating SMT Member – Andrew Hardingham													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

Statement of Accounts 2014/15

1. Introduction

- 1.1 The draft Statement of Accounts 2014/15 was approved by the Head of Corporate Strategic on 25 June 2015. The formal audit commenced on 15 June 2015. 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 2015. For Plymouth, this responsibility has been delegated to the Audit Committee.
- 1.2 The Statement of Accounts for 2014/15 is attached at Appendix A.
- 1.3 The Council is also required to identify and report on any post balance sheet events that have occurred since 31 March 2015. The Statement of Accounts should therefore include all relevant post balance sheet events up to and including the 17 September 2015.
- 1.4 As part of the final audit requirement, and prior to the issue of the audit certificate, the Council is required to complete and sign a formal letter of representation and submit this to the auditor. This letter may be signed by the Assistant Director for Finance and the Chair of Audit Committee and is attached at Appendix B.
- 1.5 The Accounts have been produced in line with the relevant CIPFA Codes of Practice for 2014/15. 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 2014/15 (The Code).
- 1.6 This is the last year of having Grant Thornton as the Authority's auditors and the Council Officers would like to express their thanks to Grant Thornton and the Audit staff for their help and assistance in finalising the Council's Statement of Accounts.

2. The 2014/15 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 2014/15 (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 2014/15 Codes did not introduce any significant new obligations in terms of producing Plymouth's accounts for 2014/15, 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 2014/15 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 2014/15 and Balance Sheet position as at 31 March 2015, the Council is required to report material events occurring after 31 March 2015.

3.2.2 There are no additional significant event which has occurred since the draft Accounts were published in June which is required reporting within PBSE Note 4 (page 32).

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 2014/15 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 Civic Centre was previously held as an asset in use but since the draft accounts were produced the Authority received an offer to purchase the Civic Centre. We have therefore reclassified the Civic Centre as an asset held for sale. This adjustment also affected notes 5, 16.1, 16.3 16.7, 17.1 and 18.
- Note 15 Landfill provision – since the draft accounts we have reviewed the calculation of the landfill provision with the auditors. The original calculations included income from sales of gas from the site. The gas produced from the site cannot reliably be predicted in the future therefore it is prudent not to include this in the landfill provision calculations.
- Note 21 Officer's Remuneration – these figures have been updated and agreed with payroll.
- Note 17.4 Cash balance – a school's bank balance was included in creditors and has been moved to cash at bank.
- CIES – Internal recharges have been removed from school's income and expenditure and there is no net effect to the cost of services.

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 2015/16 Statement of Accounts

- 4.1 Officers are looking forward to working with our new auditors BDO.
- 4.2 There are some challenging changes to the Code of Practice in 2015/16 and the Council spent time researching the requirements and we will work with the auditors to incorporate these changes into the Statement of Accounts for 2015/16.
- 4.3 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 2015/16 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 2015/16
 - Financial Statements: A Good Practice Guide for Local Authorities
- 4.4 Officers will continue to keep up to date on both internal and external developments relevant to the statutory accounts to ensure any new or amended requirements are successfully brought into the 2015/16 Accounts.
- 4.5 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.
- 4.6 Officers will be working closely with the new external auditor, BDO to plan for the 2015/16 audit and would like to undertake the interim audit as early as possible in January 2016. This will enable much of the audit testing work to be completed prior to the main year-end audit.

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

17 September 2015
Dear Sirs

Plymouth City Council

Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the financial statements of Plymouth City Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law. We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the 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 2014/15 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires 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 the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and 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.

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

- xiv We have provided you with:
 - a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b additional information that you have requested from us for the purpose of your audit; and
 - c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xv We have communicated to you all deficiencies in internal control of which management is aware.
- xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii 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.
- xviii We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
 - a management;
 - b employees who have significant roles in internal control; or

c others where the fraud could have a material effect on the financial statements.

- xix We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii 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

xxiii We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 17 September 2015.

Yours faithfully

Name.....
Position.....
Date.....

Name.....
Position.....
Date.....

Signed on behalf of the Council

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PLYMOUTH CITY COUNCIL

Subject:	Strategic Risk and Opportunity Register – Monitoring Report
Committee:	Audit Committee
Date:	17 September 2015
Cabinet Member:	Councillor Lowry
CMT Member:	Lesa Annear (Strategic Director for Transformation and Change)
Author:	Mike Hocking, Head of Corporate Risk and Insurance
Contact details	Tel: 01752 304967 email: mike.hocking@plymouth.gov.uk
Ref:	CRM/MJH
Key Decision:	No
Part:	I

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 2015 to August 2015.

The total number of strategic risks reported has increased from 31 to 36 with the addition of 8 new risks and the deletion of 3. The number of red risks has reduced from 5 to 3.

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.

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.

**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.

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.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Not required.



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.

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.

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	djn15 16.34	Leg	DVS2 3760	Mon Off	DV S23 760	HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham, 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 [26 March 2015](#) and this report now provides a summary of the latest monitoring exercise covering the position as at 31 August 2015.

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 2015 with the results discussed and agreed by CMT on 18 August 2015 and Cabinet Planning on 25 August 2015.
- 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

Amber Risk 111 – Planning Reforms – (Row No. 4)

The Government recently published Productivity Plan Section 9 ‘Planning Freedoms and more houses to buy’ which proposes Planning Reforms which potentially have a huge impact on the Council’s Planning Service. They include the relaxation of the planning control system involving more permitted development, and a zonal system for identified brownfield land. These measures would result in a significant loss of application fee income and potentially have implications for the Plymouth Plan. An assessment of the resources required to deliver the planning function under the new guidelines underway.

Amber Risk 108 - History Centre Project – (Row No. 6)

Project led by Plymouth City Council to transform the existing museum and art gallery on North Hill into the Plymouth History Centre. The vision is to build a unique visitor attraction, three times its existing size, which will open as the flagship building for the Mayflower 400 commemorations in 2020. Reputational and financial implications if full funding is not received. A Programme Board has been established and expertise in place. Additional funding streams being sought and a programme for Arts Council bidding being put in place with the Culture Board.

Amber Risk 106 – Risk of Judicial Review in relation to Deprivation of Liberty (DOLS) claims – (Row No. 8)

The Deprivation of Liberty Safeguards (DOLS), were introduced to supplement the Mental Capacity Act, to protect people without capacity who are outside the procedural safeguards of the Mental Health Act to decide where to live. [Judgement](#) handed down by the Supreme Court in March 2014 has led to an increase in the number of people in England and Wales who are considered to be deprived of their liberty for the purposes of receiving care and treatment. There is a risk of litigation and compensation claims from patients and their families seeking Judicial Review in relation to potential unlawful detention. A Deprivation of Liberty plan is in place with monitoring to be undertaken by Safeguarding Adults Board (SAB). Care Home paper was taken to Cabinet in March 2015. Further work on fees is being undertaken during 2015/16 and an Action Plan is in place. Additional ‘Best Interest Assessor’ capacity is looking to be sourced with grant funding from central government.

Amber Risk 113 – Data loss and/or compromise of connected national infrastructure or attacks via standard hacking methods, phishing emails or malware infection – (Row No. 14)

Risk of data corruption or loss on a large scale. Although an annual IT health check is carried out as well as regular vulnerability scans there is a need to improve governance and the response to critical issues identified. An IT infrastructure patching policy is in place.

Amber Risk 109 – Failure to secure adequate market interest in the South Yard Marine Industries Production Campus (MIPC) site – (Row No. 20)

Failure to secure adequate market interest would slow or prevent site occupation such that economic growth projections are not achieved and/or the Council has to provide financial revenue support to run and maintain the site. The site is being marketed locally, nationally and internationally and specialist marketing, branding and property agents have been commissioned to promote it.

Amber Risk 110 – Failure to secure adequate funding for the South Yard MIPC site – (Row No. 21)

Failure to secure adequate funding would slow or prevent site development such that economic growth and income projections are not achieved and the Council would have to provide additional financial support to develop and/or run it. £20.5m of capital secured via various grants and loans. Capital investment being prioritised to provide site infrastructure plots and some direct development. Enterprise Zone provisionally approved to allow business rates to be retained to support the site.

Amber Risk 107 - Highway maintenance re-procurement – (Row No. 23)

The core contract period of the existing Highways Services Contract with Amey ends on 30 November 2015 but has been extended until 31 March 2017. There is a need to have in place a new, transitory mechanism for the delivery of highways services. The Council has begun a collaboration and joint exercise with Devon and Somerset County Councils looking at options on a new highway maintenance contract with effect from April 2017.

3.2 Risk Score Unchanged

Red Risk 95 – Transformation Impact on Plymouth City Council Business – (Row No. 2)

Benefits fully integrated with Medium Term Financial Strategy 2015-19. Projects and programmes reviewed at Star Chamber to enable appropriate resource alignment. Future change prioritisation agreed and process being designed. Risk management approach aligned to corporate strategy.

Red Risk 49 – Future of Civic Centre – (Row No. 3)

This risk remains until exchange of contracts. After exchange the responsibility for completion will transfer to Transformation and the risk will be reduced as soon as legal completion is secured.

Amber Risk 28 – Increase in the number of looked after children – (Row No. 12)

The number of looked after children has reduced to 390 which is below the target of 400. Placement monitoring continues through fortnightly Budget Containment meetings. Integrated Commissioning and Looked After Children Strategies remain in place.

3.3 Risk Score Reduced

Red Risk 21 – Medium Term Financial Strategy – decreased from 25 to 20) - (Row No. 1)

The Budget risk register continues to be reviewed and updated as we go through the financial year. Major savings such as the Transformation Programme are subject to individual risk assessments. Monthly monitoring reports include updates to all savings plans.

Red Risk 92 – Deterioration of the condition of the City's Highway Network (carriageway and footways) - decreased from 20 to 16 – (Row No. 5)

Potholes are at record low levels with fewer than 600 reported by customers in July 2015. The Council secured £8.4m from the Government's challenge fund and with a capital contribution of £2.8m which means that £11.2m will be spent on the city's strategic roads over the next 3 years. A pavement repair programme gets underway in 2015 and £1m will be spent in the next 2 years. All investment is aligned to the profile of deterioration of the network through the [Gaist](#) Survey and this had proven to be a sound investment as the Council prepares itself for the next round of Government funding bids.

Amber Risk 72 – Significant pressure on Adult Social Care budget - (decreased from 20 to 16) – (Row No. 7)

Budget containment plan continues to be monitored on a fortnightly basis. Management actions are being resourced from existing structure and measures are in place with actions built into Plymouth Community Healthcare contract.

Amber Risk 76 – Risk of not getting funding to progress development of gypsy sites - (decreased from 15 to 12) — (Row No. 24)

Broadley Park will be delivered as a transit site as a priority for the Council which will reduce expenditure and risks associated with unauthorised encampments. Potential additional sites will be considered as part of the Plymouth Plan.

3.4 Deleted Risks

Amber Risk 33 - Ensuring there is adequate capital for Education Infrastructure – (Row No. 37)

Risk can now be removed. St Matthew's, Knowle, Woodford and Holy Cross will all be ready for additional reception places in September 2015. Some further works continuing through to December 2015. Pennycross and Pomphlett both included in the capital programme and feasibility projects to be completed by September 2016. Continued assessment of population growth will be carried out to ensure that the LA meets its statutory responsibility to provide sufficient places in schools for pupils.

Amber Risk 86 – Strategic Housing Private Sector Housing Intervention – reducing capital resources — (Row No. 38)

To be removed from register as now aligned to the Plymouth Plan which will be supported by an Investment Plan and an Infrastructure Prospectus.

Green Risk 97 – Integration of Adult Social Care and Community Health – (Row No. 39)





Integration took place in April 2015 so the risk can now be removed from the register.

4.0 Summary and Conclusion

- 4.1** 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.

- 4.2** 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.
- 4.3** The inclusion of risk management considerations is a key feature in the Council's key corporate processes featuring in the Corporate Plan preparation, Business Planning Framework, Budget Planning and Monitoring and Performance Management.
- 4.4** 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.
- 4.5** 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.
- 4.6** The next formal review of the Strategic Risk and Opportunity Register will take place in February 2016.

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER TWENTY ONE AUG 2015 - 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-14			Aug-14			Feb-15			Aug-15						
			*P	*I		*P	*I		*P	*I		*P	*I					
1	21	Medium Term Financial Strategy 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	4	5	20		COMMENTS FEB 15: Risk register implemented as part of the 2015/16 budget setting process; continual review of risks following formal Council approval of the budget. Public facing Finance Plan report being written explaining what we spend our resources on - internal medium Term Financial Statement being written for CMT as a reference document which will be updated as and when new information received. COMMENTS AUG 15: The Budget risk register continues to be reviewed and updated as we go through the financial year. Major savings such as the Transformation programme are subject to individual risk assessments. Monthly monitoring reports include updates to all savings plans.	Andrew Hardingham	Aaron Perrin
2	95	Transformation Impact on Plymouth City Council Business - 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.	4	5	20	4	5	20	4	5	20	4	5	20		COMMENTS FEB 15: Budget profiling for the programme is significantly improved. Dedicated internal transformation accountant in place. Projects and programmes aligned with benefits. Benefits used to support PCC budget setting and all management actions / identified benefits have been reviewed to ensure that they are not double counted. Benefit realisation being defined to ensure savings identified are taken. Benefit reporting is also in place where benefits are tangible and financial. For the financial year 14/15 projections in February 2015 are predicted to exceed targets set. Future actions are; Programme and Project Management in accordance with the Align Process to be formalised and tested with Gate Review Process launching in January 2015. P3M3 (external maturity assessment) review completed November 14 with problem areas being addressed, training increased throughout the portfolio with mentoring and more dependency work commencing. COMMENTS AUG 15: Benefits fully integrated with Medium Term Financial Strategy 2015-19. Projects and programmes reviewed at Star Chamber to enable appropriate resource alignment. Future change prioritisation agreed and process currently being designed. Risk management approach aligned to corporate strategy.	Les Allen	Helen Cocks
3	49	Future of Civic Centre and Council House following listed status as not currently fit for purpose.	4	5	20	4	5	20	4	5	20	4	5	20		COMMENTS FEB 15: The Council has received an offer for the freehold of the Civic Centre tower from Urban Splash which it has accepted, subject to contract. It is intended that the legal transfer will take place by 30th September 2015, once existing Council staff and equipment have been relocated, and the tower has been physically separated from the Council House, which will be retained in civic ownership and use. From the date of legal transfer, the responsibility for the building will pass to the new owner. The RAG rating will be revised once a legally binding agreement is in place. COMMENTS AUG 15: This risk remains red until exchange of contracts. After exchange the responsibility for completion will transfer to Transformation and the risk will be reduced as soon as the legal transfer is completed.	David Draffan / David James	Gill Peele
4	111	Governments Productivity Plan Section 9 'Planning Freedoms and more houses to buy' proposes Planning Reforms which would potentially have a huge impact on the Council's Planning Service and the Plymouth Plan							New			4	4	16		COMMENTS AUG 15: The Government recently published Productivity Plan Section 9 'Planning Freedoms and more houses to buy' which proposes Planning Reforms which potentially have a huge impact on the Council's Planning Service and result in a significant loss of application fee income and potentially have implications for the Plymouth Plan. Reforms include the relaxation of the planning control system, involving more permitted development, and a zonal system for identified brownfield land. Assessment of the resources required to deliver the planning function under the new guidelines underway.	Paul May	Gill Peele

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER TWENTY ONE AUG 2015 - 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-14			Aug-14			Feb-15			Aug-15						
			*P	*I		*P	*I		*P	*I		*P	*I					
5	92	Deterioration of the condition of the City's Highway Network (carriageway and footways)	5	4	20	5	4	20	5	4	20	4	4	16	→ A	COMMENTS FEB 15: The survey work is now complete. The Council will be investing £4.8m into roads and pavements and the Highways Maintenance contract has been extended until March 2017. The condition of the network is improving with the number of potholes at a record low level following a major programme of repairs and financial commitment by the Council. The repairs have also been helped by innovative approaches and the investment in new equipment such as the roadmaster. However the risk remains high due to the sheer scale of the investment required e.g.. the backlog has been reduced from 7500 to 2500 but equally there have been 13,000 new potholes identified. The Council website has been improved to keep the public informed of planned works. COMMENTS AUG 15: Potholes are at record low levels with fewer than 600 reported by customers in July 2015. The Council secured £8.4m from the Government's challenge fund and with a capital contribution of £2.8m which means that £11.2m will be spent on the city's strategic roads over the next 3 years. A pavement repair programme gets underway in 2015 and £1m will be spent in the next 2 years. All investment is aligned to the profile of deterioration of the network through the Gaist Survey and this had proven to be a sound investment as the Council prepares itself for the next round of Government funding bids.	Adrian Trim	Gill Peele
6	108	Project led by Plymouth City Council, to transform the existing museum and art gallery on North Hill into the Plymouth History Centre . The vision is to build a unique visitor attraction, three times its existing size, which will open as the flagship building for the Mayflower 400 commemorations in 2020												16	A	COMMENTS AUG 15: Reputational/financial implications if full funding not received. Programme Board established and expertise in place. Additional funding streams being sought and programme for Arts Council bidding being put in place with the Culture Board.	David Draffan/Nicola Moyle	Gill Peele
7	72	Significant pressure on Adult Social Care budget	3	4	12	5	4	20	5	4	20	4	4	16	→ A	COMMENTS FEB 15: A significant overspend remains, ASC Budget Containment Plan continues to be monitored by the CC & ASC SMT on a fortnightly basis. COMMENTS AUG 15: Budget containment plan continues to be monitored on a fortnightly basis. Management actions are being resourced from existing structure and measures are in place with actions built into Plymouth Community Healthcare contract.	Craig McArdle	Julie Cook
8	106	The Deprivation of Liberty Safeguards (DOLS) were introduced to supplement the Mental Capacity Act (MCA), to protect people without capacity who are outside the procedural safeguards of the Mental Health Act to decide where to live. Judgement handed down by the Supreme Court in March 2014 has led to an increase in the number of people in England and Wales who are considered to be deprived of their liberty for the purposes of receiving care and treatment. There is a risk of litigation from patients and their families seeking Judicial Review in relation to unlawful detention.												16	A	COMMENTS AUG 15: Deprivation of Liberty (DOLS) plan in place with monitoring to be undertaken by Safeguarding Adult Board (SAB). Care Home paper taken to Cabinet in March 2015. Further work on fees being undertaken during 2015/16. Action Plan in place. Additional Best Interest Assessor (BIA) capacity looking to be sourced with grant from central government.	Craig McArdle	Julie Cook
9	105	The Council's potentially impaired ability to contact and mobilise appropriate operational staff out of hours to respond to a major emergency. Additional risk of non-compliance with statutory duty of the Civil Contingencies Act 2004				New			4	4	16	4	4	16	— A	COMMENTS FEB 15: Risks potentially result from the current informal on call arrangements across the organisation, which leads to a reliance on 'good will' in mobilising an appropriate operational response following the Civil Protection On Call Officer initial assessment. Further risk of non-compliance with statutory duty of the Civil Contingencies Act 2004 should PCC be unable to respond out of hours. Call-out rotas for the Senior Management Team are being implemented which, when tested and embedded, will mitigate the risk. COMMENTS AUG 15: Progress has been made with formal call-out rotas in place for Senior Management, which require testing and embedding further to mitigate the risk. This remains an amber risk as operational officers out of hours availability continues to be informal.	Scott Senior / Jamie Whitford-Robson	Katrina Houghton

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER TWENTY ONE AUG 2015 - 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-14			Aug-14			Feb-15			Aug-15						
			*P	*I		*P	*I		*P	*I		*P	*I					
10	83	Health Inequalities - 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 15: The city's 10 year plan to improve health was launched in November 2014 with 35 city businesses, partner organisations and a number of city leaders in attendance. The first year focus is on workforce wellbeing but Year 2 will focus on primary and secondary schools. Work to galvanise the Council and partners around the construct of 4-4-54 which is the name given to an emerging action plan from Plymouth's Director of Public Health to put in place a new approach for addressing health inequalities. This is being developed as the backbone to Thrive Plymouth over the 10 years. Current data suggests the gap in life expectancy between neighbourhoods in Plymouth has narrowed from the previous 12.2 to less than 10 years but this should be viewed in light of the Director of Public Health's recent comments to Corporate Management Team about the sensitivity of life expectancy measurements in small areas to the lifestyle risk factor improvements which Thrive Plymouth is based on. COMMENTS AUG 15: The city's 10 year plan to improve health and reduce health inequalities, Thrive Plymouth, continues to be positively received across the city and embed its approaches to reducing health inequalities. The integrated commissioning strategy for Wellbeing as well as the Plymouth Plan have this at their core and this years DPH report unpacked the construct for a wider audience receiving full support in an all member briefing in July 2015. A marketing strategy is planned for development to support the campaigns and the social movement. Year 1 work with workplaces continues to strengthen with firm links into the Chamber of Commerce. Planning for Year 2 with schools is underway with much interest generated from partners to support this phase.	Rob Nelder	Katrina Houghton
11	84	Impact of Welfare Reform on Plymouth City Council and our customers	4	4	16	4	4	16	4	4	16	4	4	16	█ A	COMMENTS FEB 15: Group continue to meet and implement action plan. In-house commissioned services continue to be reviewed. Council Tax Support Scheme & Emergency Welfare Fund schemes are monitored and reviewed. Plans implemented and strategies in place to create jobs and minimise poverty. Support continues to Credit Unions to reduce the use of costly loans. COMMENTS AUG 15: Group continue to meet and implement action plan. In-house commissioned services continue to be reviewed. Council Tax Support Scheme & Emergency Welfare Fund schemes are monitored and reviewed. Plans implemented and strategies in place to create jobs and minimise poverty. Support continues to Credit Unions to reduce the use of costly loans.	Peter Aley	Julie Reed
12	28	Increase in the number of looked after children and those subject to a Child Protection Plan leading to cost pressures on independent placements, staffing and resources	3	4	12	4	4	16	4	4	16	4	4	16	█ A	COMMENTS FEB 15: The number of Looked After Children has decreased slightly, however, the number of children in independent foster care and young people in Supported Living has increased. Placements continue to be monitored through weekly resource panel and quarterly through residential placement monitoring system. Work continues to increase the number of in-house foster carers and we continue to monitor the effectiveness and impact of the new family support team. New 'wrap around' commissioning and service provision to be developed with project management support from Transformation to reduce need for high cost placements. COMMENTS AUG 15: The number of looked after children has reduced to 390 which is below the target of 400. We have 23 children in high cost residential placements with budgets for 26, however we have 80 children in independent foster placements with budgets for 68, we also have 4 independent parent and child placements against a zero budget. Placement monitoring continues through fortnightly Budget Containment meetings. Integrated Commissioning and Looked After Children Strategies remain in place.	Alison Botham	Julie Cook

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER TWENTY ONE AUG 2015 - Summary by Risk Rating APPENDIX A

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			*P	*I		*P	*I		*P	*I		*P	*I					
13	94	Delivering the Early Intervention and Prevention Strategy	4	3	12	4	3	12	4	4	16	4	4	16	■ A	COMMENTS FEB 15: Although some areas of risk have been managed down through strategic processes the overall risk is now clearer and more acute and has therefore increased the risk rating. COMMENTS AUG 15: The Children and Young People's Commissioning Plan has now been consulted on and the CCYPS Board is now overseeing the change project to deliver the Early Help Gateway and Information and Advice offer. Once the Gateway is signed off the risk will be reviewed again in three months.	Alison Botham / Judith Harwood	Julie Reed
14	113	Data loss and/or compromise of connected national infrastructure due to vulnerable infrastructure or attacks via standard hacking methods, phishing emails or malware infection.							New			4	4	16	■ A	COMMENTS AUG 15: Annual IT Health Check, regular vulnerability scans carried out and IT Infrastructure patching policy in place.	John Finch	Aaron Perrin
15	99	Potential risks resulting from the fragmented clinical and service governance arrangements between ODPH, CCG and NHSE Area Team.	New			5	5	25	3	5	15	3	5	15	■ A	COMMENTS FEB 15: The risk in Public Health commissioned services has been significantly reduced by the appointment of a Governance Pharmacist in HealthCare and the wider system risk is being addressed with the Clinical Commissioning Group and NHS England. COMMENTS AUG 15: The CCG has agreed a way forward by incorporating PH services into the existing governance system. ODPH are also members of the Controlled Drug Local Intelligence Network (CD-LIN) which is an NHSE body overseeing opiate prescriptions.	Kelechi Nnoaham	Katrina Houghton
16	67	Working with partners in the prevention of Violent Extremism.	3	5	15	3	5	15	3	5	15	3	5	15	■ A	COMMENTS FEB 15: Prevent Action Plan continues to be delivered with partners, and Plymouth Channel panel continues to be active in it's response to referrals. COMMENTS AUG 15: Prevent Action Plan continues to be delivered with partners, and Plymouth Channel Panel continues to be active in its response to referrals.	Peter Aley	Julie Reed
17	24	Ensuring processes are in place to protect staff from violent incidents whilst carrying out their duties.	3	5	15	3	5	15	3	5	15	3	5	15	■ A	COMMENTS FEB 15: Potentially Violent Persons (PVP) ICT solution ready to roll out, pressure on team resources has re-prioritised this piece of work. Anticipate decision on way forward in May 2015, in the meantime continue to use incident reporting system to monitor any violent incidents recorded and share information as appropriate. COMMENTS AUG 15: Requirements for PVP system referred to Intelligent Client to scope an ICT solution with stakeholders.	Marion Fanthorpe	Michelle Chapman

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			*P	*I		*P	*I		*P	*I		*P	*I					
18	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 15: Plymouth is experiencing an upturn in private sector growth and investment and unemployment has reduced, sitting below the national average. The city has also been successful securing a City Deal and finance from the Growth Deal. These deals enable the redevelopment of key employment generating sites such as South Yard, various business support and trade development initiatives and improvements to infrastructure. Local initiatives such as the 1000 Club and Building Plymouth have helped more people get into work. The city needs to ensure that the labour pool has the right skills to match with the needs of businesses and that it delivers ease-of-access to sites where businesses can invest, expand or relocate. Initiatives such as a potential Enterprise Zone and the bringing forward of sites for development within the city centre will be crucial in order to maximise the benefits of national economic improvements. COMMENTS AUG 15: PCC does not have the capacity to have ready designed and costed schemes available to submit at short notice to request for capital bids. The reduction in the capacity of the Network Management Unit has meant responsibility for securing contract administration and supervision has fallen to the Client, stretching staff resources further and increasing costs on Capital Schemes. Shortage of revenue budgets to work up schemes, means that Capital Schemes are submitted for Capital funding in an underprepared state, often leading to requests for further PCC Capital as the scheme design matures to avoid going back to the LEP with cost increases. Could include a 44% Optimism Bias at initial stage in accordance with best practice but at risk of scheme not being approved due to low BCR and high overall cost.	Paul Barnard / David Draffan	Gill Peele
19	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 15: No further sites have been identified under Part 2 A of the EPA 1990, but if a site was identified the Council would have to identify resources to comply with the statutory duty. COMMENTS AUG 15: Risk remains, no changes or sites identified to-date.	Robin Carton	Katrina Houghton
20	109	Failure to secure adequate market interest in the South Yard Marine Industries Production Campus (MIPC) site, slows or prevents site occupation such that economic growth projections are not achieved and/or the Council has to provide financial revenue support to run and maintain the site							New			3	4	12	A	COMMENTS AUG 15: Site is being marketed locally, nationally and internationally and specialist marketing, branding and property agents have been commissioned to promote the site.	David Draffan	Gill Peele
21	110	Failure to secure adequate funding for the South Yard Marine Industries Production Campus (MIPC) site which slows or prevents site development such that economic growth and income projections are not achieved and the Council has to provide additional financial support to develop and/or run the site							New			3	4	12	A	COMMENTS AUG 15: £20.5m of capital secured via various grants and loans. Capital investment being prioritised to provide site infrastructure plots and some direct development. Enterprise Zone provisionally approved to allow business rates to be retained to support site.	David Draffan	Gill Peele
22	46	The Council not meeting its obligations to keep citizen data secure , 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	3	4	12	A	COMMENTS FEB 15: The Information Commissioners Office follow up audit report noted that PCC responded positively to the 49 recommendations made in their original audit report which took place in April 2014. Auditors were pleased to note significant progress in all 3 scope areas with 70% completion of the actions arising from the audit. The audit action plan is still live and Information Lead Officer Group continue to work through the remaining issues. COMMENTS AUG 15: The audit action plan is still live and Information Lead Officer Group continues to work through the remaining issues. Further staff training to be rolled out during the Autumn of 2015.	John Finch	Aaron Perrin
23	107	Highway maintenance re-procurement - failure to jointly procure between Devon and Somerset County Councils and Plymouth City Council							New			4	3	12	A	COMMENTS AUG 15: Joint Strategic Board established with Somerset and Devon County Councils. Joint working arrangements agreed and project manager and governance in place.	Simon Dale	Gill Peele

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER TWENTY ONE AUG 2015 - Summary by Risk Rating APPENDIX A

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			*P	*I		*P	*I		*P	*I		*P	*I					
24	76	Risk of not getting funding to progress development of Gypsy Sites .	Reinstated			3	5	15	3	5	15	4	3	12		COMMENTS FEB 15: Broadley Park to be developed once legal issue is resolved. Potential sites to be identified as part of Plymouth Plan. Investment in addressing underlying causes of problems, reduces cost and issues associated with unauthorised encampments. COMMENTS AUG 15: Broadley Park will be delivered as a transit site as a priority for the Council which will reduce expenditure and risk associated with unauthorised encampments. Potential additional sites will be considered as part of the Plymouth Plan.	Matt Garrett	Julie Cook
25	68	Failure to reach recycling targets and divert waste from landfill	3	4	12	3	4	12	3	4	12	3	4	12		COMMENTS FEB 15: The Energy From Waste plant will come on line in Spring 2015. Once the rezoning of the waste collection routes across the city has been fully embedded, a community engagement campaign around recycling will commence. This will include very clear messages on what and how waste can be recycled to improve the recycling rates. COMMENTS AUG 15: Out-turn recycling rates for 2014/15 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 the Council is examining additional initiatives to boost recycling, including community composting of food waste and more city centre recycling facilities. The new waste disposal facility is now receiving waste and landfilling has stopped. The rezoning of the waste collection routes across the city has been fully embedded and a community engagement campaign around recycling, improving waste habits and increasing efficiency has commenced.	Simon Dale	Gill Peele
26	93	Failure to deliver the range of housing to meet Plymouth's need	3	4	12	3	4	12	3	4	12	3	4	12		COMMENTS FEB 15: The Plan for Homes has the ambition to deliver a very challenging target of 5,000 new homes over the next five years and will be regularly reviewed; first reporting period 2014/15. It contains 16 initiative aimed at increasing and accelerating housing delivery through a co-operative approach to partnership working to provide the finance, land, infrastructure, community engagement and leadership to provide a range of new homes. COMMENTS AUG 15: This risk is unchanged at this stage pending the Autumn report.	Paul Barnard	Gill Peele

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER TWENTY ONE AUG 2015 - Summary by Risk Rating APPENDIX A

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			*P	*I		*P	*I		*P	*I		*P	*I					
27	88	Failure to ensure that the resources and capacity to deliver Major Capital Transport Schemes is in place to deliver effectively	4	4	16	3	4	12	3	4	12	3	4	12	A	COMMENTS FEB 15: The Forder Valley Road project was submitted to the LTB for Growth Deal 2 in November 2014, with a request for £26.16M (total project cost of £37.238M). Provisional funding of £22.5 was offered to PCC in Jan 2015. The Forder Valley Road project was assessed as being the 2nd priority transport project under the Growth Deal 2 project ranking. PCC is confident that it can still deliver this project within the offered funding envelope, without needing to rescope the project. Re GD1 projects; Derriford Hospital Interchange - full Business Case approved. Derriford Transport Scheme - Programme Entry Business Case approved with Full Business Case to be submitted late summer/autumn 2015. Northern Corridor Junction - full BC approved which commits full funding for 15/16 and funding allocation for the next 5 years (subject to confirmation of value-for-money). Business Cases for Forder Valley Link Road and the City Centre Scheme will be submitted in summer/autumn 2015. COMMENTS AUG 15: The Forder Valley Link Road has secured Programme Entry as part of GD2, but because it is over £20m with a Growth Deal ask in excess of £10m, the scheme will only receive final approval if the Full Business case is submitted to and approved by Dft before end of 2016. This would still enable construction to commence in 2017/18. Dft could provide an in-principle position regarding validation of the current traffic models such as if the scheme comes up against significant objections or if a public inquiry is required, for example. Additional Road Side Interview data collection will now be required in Autumn 2015 to all but eliminate this risk. Current BCR value is 4.0 which is marginal for a highway scheme. Local contribution still stands at £12m to match £22m GD. Next tranche of Growth Deals to be submitted before December 2015. Schemes require 30% local contributions which may not be sustainable with all the other priorities.	Philip Heseltine	Gill Peele
28	96	Implementation of the Care Bill and the Dilnot cap on care costs - financial risk associated with additional assessment activity, managing care accounts and earlier funding of care costs	3	3	9	3	4	12	3	4	12	3	4	12	A	COMMENTS FEB 15: The Care Act continues to be part of the Integrated Health & Wellbeing Transformation Programme. The resource implications are currently being modelled regionally as part of LGA/ADASS initiative. COMMENTS AUG 15: Clear project planning remains in place under the Integrated Health & Wellbeing Board Transformation Programme and resource implications continue to be modelled regionally as part of LGA/ADASS (Local Government Association/Directors of Adult Social Services) initiative.	Craig McArdle	Julie Cook
29	73	Employee Relations	3	4	12	3	4	12	3	4	12	3	4	12	A	COMMENTS FEB 15: Difficulties in reaching agreements with Trade Unions re: Customer Services Team impacting more widely, requiring significant amount of resource across multiple service areas. Potentially much wider impact across transformation programme. COMMENTS AUG 15: Initiatives are under way to improve employee relations. The Trade Union Facilities Agreement is being reviewed.	Marion Fanthorpe	Michelle Chapman
30	30	ICT Resilience - 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 15: BCP Plans continue to be reviewed on a six monthly basis. COMMENTS AUG 15: There is now a contract in place with Delt for the provision of ICT services. Potential risks around the management of that contract will be monitored and managed through the Intelligent Client service.	James Taylor	Aaron Perrin
31	82	Potential legislative non-compliance of PCC buildings due to fragmented ownership and responsibility	2	5	10	2	5	10	2	5	10	2	5	10	G	COMMENTS FEB 15: New roles and responsibilities included in a revised structure to be in place by 1 April. COMMENTS AUG 15: New structure now in place will provide clear leads on areas of compliance going forward.	Chris Trevitt	Aaron Perrin

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			*P	*I		*P	*I		*P	*I		*P	*I					
32	08	Ensuring the Council has a robust Business continuity 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 15: The Business Continuity process is closely aligned with the principles of ISO 22301. Individual Departmental Recovery Plans continue to be reviewed on a six monthly basis and the impact of transformational changes is being closely monitored. An option is being explored to provide generic exercises through a uniformed approach within the Devon, Cornwall and Isles of Scilly Local Resilience Forum. COMMENTS AUG 15: Individual Departmental Recovery Plans continue to be reviewed on a six monthly basis and any changes in organisational structure are closely monitored to ensure relevance.	Jamie Whitford-Robson	Katrina Houghton
33	98	Risk of suspension of access to key public health data due to organisational non compliance with the Information Governance Toolkit for Department of Health e.g. access to Health & Social Care Information Centre data.	New			2	5	10	2	5	10	2	5	10	G	COMMENTS FEB 15: Currently compliant with work scheduled to achieve compliance for 2015. COMMENTS AUG 15: New version of IG Toolkit now released and compliance due by March 2016. Work on PSN compliance underway will support completion. Working group in place.	Kelechi Nnoaham	Katrina Houghton / John Finch
34	60	The impact on Revenue budget of Treasury Management activity (formerly Economic downturn affecting treasury management)	3	4	12	3	3	9	3	3	9	3	3	9	G	COMMENTS FEB 15: New banking rules apply from July 2015 but risk mitigation covered within Treasury Management Strategy 2015/16 approved by Council February 2015. Continue to work with independent treasury advisors to minimise risk / maximise income. COMMENTS AUG 15: New banking rules apply from July 2015 but risk mitigation covered within Treasury Management Strategy 2015/16 approved by Council February 2015. Continue to work with independent treasury advisors to minimise risk/maximise income. Close monitoring of input from Bank of England announcement around base rate increases from early 2016 and possible impact on our Treasury Management Strategy.	Andrew Hardingham	Aaron Perrin
35	112	Holiday pay and overtime - Recent employment case law changes has resulted in some forms of 'non-guaranteed' overtime pay and commission based payments being required to be included in employees holiday pay.							New			3	3	9	G	COMMENTS AUG 15: Employee Statement of Particulars to be updated to state that overtime offered and worked is 'voluntary' and the employee has the right to refuse to work. HROD and Legal will continue to monitor employment case law and any amendments to Working Time Regulations, communicating and implementing any future changes	Marion Fanthorpe	
36	100	Transformation of Youth Service.	New			2	4	8	2	4	8	2	4	8	G	COMMENTS FEB 15: 3 year transformation plan in place which has been through CMT and Cabinet. Progress with plan has meant process is currently ahead of the budget reduction schedule effectively creating more time for the smooth transition of services and lowering of likelihood of impact on customers. COMMENTS AUG 15: The transformation plan is still on target to achieve it's deadline for 2017.	John Miller	Julie Cook
37	33	Ensuring there is adequate capital for Education Infrastructure	4	4	16	4	4	16	3	4	12	Delete		D	COMMENTS FEB 15: Report to Cabinet for awarding contracts, St Matthew's and Knowle awarded in Nov 14 and Woodford and Holy Cross will be awarded in Jan 15. Business cases will be presented to City Council Investment Board on Pennycross and Pomphlett early in 2015. Sufficient places across the city for all pupils requiring statutory education. COMMENTS AUG 15: Risk can now be archived. St Matthew's, Knowle, Woodford and Holy Cross will all be ready for additional reception places in Sept 2015. Some further works continuing through to December 2015. Pennycross and Pomphlett both included in the capital programme and feasibility projects to be completed by Sept 2016. Continued assessment of population growth will be carried out to ensure that the LA meets its statutory responsibility to provide sufficient places in schools for pupils.	Jayne Gorton	Julie Reed	

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38	86	Strategic Housing Private Sector Housing Intervention - reducing capital resources.	4	4	16	4	4	16	4	4	16	Delete		D	COMMENTS FEB 15: A bid was submitted to the City Council's Investment Board and has been successful in securing 100K towards this however the pressures as identified in the Action Plan and resource implications still remain the same. Delivery Plans still continue to be revised and monitored and will eventually align under the Plymouth Plan. COMMENTS AUG 15: To be removed from register as now aligned to the Plymouth Plan which will be supported by an Investment Plan and an Infrastructure Prospectus.	Matt Garrett	Julie Cook
39	97	Integration of Adult Social Care and Community Health under the Integration Health & Wellbeing Transformation Programme	New			3	3	9	3	3	9	Delete		D	COMMENTS FEB 15: The Council will have a place at Executive Team and Board of the newly merged organisation which is on schedule for implementation on 1 April 2015. COMMENTS AUG 15: To be removed from register as implementation has taken place.	Craig McArdle	Julie Cook
* 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																	

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PLYMOUTH CITY COUNCIL

Subject:	Annual Report on Treasury Management Activities for 2014/15
Committee:	Audit Committee
Date:	17 September 2015
Cabinet Member:	Councillor Lowry
CMT Member:	Andrew Hardingham (Assistant Director for Finance)
Author:	David Northey, Head of Corporate Strategy
Contact:	Tel: 01752 305428 Email: david.northey@plymouth.gov.uk
Ref:	Acct/AL
Key Decision	No
Part:	I

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 2014/15 including 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 2014/15;
- 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 2014/15;
- e) confirms compliance with treasury limits and Prudential Indicators (PIs) and the 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, this report is required to be submitted 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.

**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.

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.

Recommendations & Reasons for recommended action:

1. Audit Committee note the Treasury Management annual report for 2014/15.
2. Refer the report to Full Council to note as required by the CIPFA Treasury Management Code of Practice (TMP note 6).

Alternative options considered and reasons for recommended action:

None - it is requirement to report to Council on the treasury management activities for the year.

Background papers:

- Treasury Management Strategy report to Audit Committee 24 February 2014
- 2014/15 Budget Papers – presented to Full Council 24 February 2014
- Mid-Year Review report to Audit Committee 18 December 2014
- Financial Outturn report for 2014-15 to Cabinet 9 June 2015

Sign off:

Fin	djn151 6.35	Leg/ Dem& Gov		HR	n/a	Corp Prop	n/a	IT	n/a	Strat Proc	n/a
Originating SMT Member: Andrew Hardingham, Assistant Director for Finance											
Has the Cabinet Member(s) agreed the content of the report? Yes											

Annual Report on Treasury Management Activities for 2014/15

1. Introduction

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).

The Authority's Treasury Management Strategy for 2014/15 was approved by full Council on 24th February 2014 which can be accessed on the Council's website.

The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

2. External Context

Growth and Inflation: The robust pace of GDP growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Resurgent house prices, improved consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.

Annual CPI inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price (which fell to \$44.35 a barrel a level not seen since March 2009) and a steep drop in wholesale energy prices with extra downward momentum coming from supermarket competition resulting in lower food prices. Bank of England Governor Mark Carney wrote an open letter to the Chancellor in February, explaining that the Bank expected CPI to temporarily turn negative but rebound around the end of 2015 as the lower prices dropped out of the annual rate calculation.

Labour Market: The UK labour market continued to improve and remains resilient across a broad base of measures including real rates of wage growth. January 2015 showed a headline employment rate of 73.3%, while the rate of unemployment fell to 5.7% from 7.2% a year earlier. Comparing the three months to January 2015 with a year earlier, employee pay increased by 1.8% including bonuses and by 1.6% excluding bonuses.

UK Monetary Policy: The Bank of England's MPC maintained interest rates at 0.5% and asset purchases (QE) at £375bn. Its members held a wide range of views on the response to zero CPI inflation, but just as the MPC was prepared to look past the temporary spikes in inflation to nearly 5% a few years ago, they felt it appropriate not to get panicked into response to the current low rate of inflation. The minutes of the MPC meetings reiterated the Committee's stance that the economic headwinds for the UK economy and the legacy of the financial crisis meant that increases in the Bank Rate would be gradual and limited, and below average historical levels.

Political uncertainty had a large bearing on market confidence this year. The possibility of Scottish independence was of concern to the financial markets, however this dissipated following the outcome of September's referendum. The risk of upheaval (the pledge to

devolve extensive new powers to the Scottish parliament; English MPs in turn demanding separate laws for England) lingers on. The highly politicised March Budget heralded the start of a closely contested general election campaign and markets braced for yet another hung parliament.

On the continent, the European Central Bank lowered its official benchmark interest rate from 0.15% to 0.05% in September and the rate paid on commercial bank balances held with it was from -0.10% to -0.20%. The much-anticipated quantitative easing, which will expand the ECB's balance sheet by €1.1 trillion was finally announced by the central bank at its January meeting in an effort to steer the euro area away from deflation and invigorate its moribund economies. The size was at the high end of market expectations and it will involve buying €60bn of sovereign bonds, asset-backed securities and covered bonds a month commencing March 2015 through to September 2016. The possibility of a Greek exit from the Eurozone refused to subside given the clear frustrations that remained between its new government and its creditors.

The US economy rebounded strongly in 2014, employment growth was robust and there were early signs of wage pressures building, albeit from a low level. The Federal Reserve made no change to US policy rates. The central bank however continued with 'tapering', i.e. a reduction in asset purchases by \$10 billion per month, and ended them altogether in October 2014. With the US economy resilient enough the weather the weakness of key trading partners and a strong US dollar, in March 2015 the Fed removed the word "patient" from its statement accompanying its rates decisions, effectively leaving the door open for a rise in rates later in the year.

Market reaction: From July, gilt yields were driven lower by a combination of factors: geo-political risks emanating from the Middle East and Ukraine, the slide towards deflation within the Eurozone and the big slide in the price of oil and its transmission though into lower prices globally. 5-, 10- and 20-year gilt yields fell to their lows in January (0.88%, 1.33% and 1.86% respectively) before ending the year higher at 1.19%, 1.57% and 2.14% respectively.

Local Context

At 31/03/2015 the Authority's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £266m, while usable reserves and working capital which are the underlying resources available for investment were £56m.

At 31/03/2015, the Authority had £213m of borrowing and £74m of investments. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a minimum investment balance of £15m.

The Authority has a relatively stable CFR and its capital expenditure plans currently imply a need to borrow over the forecast period. Investments are forecast to fall to £60m as capital receipts are used to finance capital expenditure and reserves are used to finance the revenue budget.

Borrowing Strategy

At 31/03/2015 the Authority held £212.56m of loans, (a decrease of £12.6m on 31/03/2014) as part of its strategy for funding previous years' capital programmes.

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Authority determined it was more cost effective in the short-term to use internal resources and borrow short-term loans instead.

The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Authority with this 'cost of carry' and breakeven analysis.

Borrowing Activity in 2014/15

	Balance on 01/04/2014 £m	Maturing Debt £m	Debt Premature ly Repaid £m	New Borrowing £m	Balance on 31/03/201 5 £m	Avg Rate % and Avg Life (yrs)
CFR	267.65				266.18	
Short Term Borrowing ¹	80.800	(474.05)	0	461.45	68.20	0.38%/0.1 year
Long Term Borrowing	144.34	0	0	0.03	144.37	4.92%/30.7 years
TOTAL BORROWING	225.14	(474.05)	0	461.48	212.57	
Other Long Term Liabilities	40.27	(1.15)	0	0.03	39.15	8.73%/19 years
TOTAL EXTERNAL DEBT	265.41	(475.20)	0	461.51	251.72	
Increase/ (Decrease) in Borrowing £m					(13.69)	

¹ Loans with maturities less than 1 year.

LOBOs: The Authority holds £100m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £36m of these LOBOS had options during the year, none of which were exercised by the lender.

Debt Rescheduling: The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

Abolition of the PWLB: In January 2015 the Department of Communities and Local Government (CLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the Public Works Loans Board. HMT has confirmed however that its lending function will continue unaffected and local authorities will retain access to borrowing rates which offer good value for money. The authority intends to use the PWLB's replacement as a potential source of borrowing if required.

Investment Activity

The Authority has held invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2014/15 the Authority's investment balances have ranged between £57.10 and £140.75 million.

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

Investment Activity in 2014/15

Investments	Balance on 01/04/201 4 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 30/03/2015 £m	Avg Rate/Yield (%)
Short term Investments (call accounts, deposits)	76.6	402.9	434.4	45.1	0.76%
Other Pooled Funds	12.5	10.5	0	23	6.8%
Bonds issued	0	6		6	0.74%
TOTAL INVESTMENTS	89.1	419.4	434.4	74.1	
Increase/ (Decrease) in Investments £m				(15)	

Security of capital has remained the Authority’s main investment objective. This has been maintained by following the Authority’s counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority’s minimum long-term counterparty rating is A- across rating agencies Fitch, S&P and Moody’s); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

Credit Risk

Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2014	5.32	A+	5.73	A
30/06/2014	5.38	A+	5.68	A
30/09/2014	5.67	A	5.84	A
31/12/2014	5.41	A+	4.19	AA-
31/03/2015	5.61	A	6.44	A

Scoring:

-Value weighted average reflects the credit quality of investments according to the size of the deposit

-Time weighted average reflects the credit quality of investments according to the maturity of the deposit

-AAA = highest credit quality = 1

- D = lowest credit quality = 26

-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

Counterparty Update

The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. Taking the view that potential extraordinary government support available to banks' senior unsecured bondholders will likely diminish, over 2014-15 Moody’s revised the Outlook of several UK and EU banks from Stable to Negative (note, this is not the same as a rating review negative) and S&P placed the ratings of UK and German banks on Credit Watch with negative implications, following these countries’ early adoption of the bail-in regime in the BRRD.

S&P also revised the Outlook for major Canadian banks to negative following the government’s announcement of a potential bail-in policy framework.

The Bank of England published its approach to bank resolution which gave an indication of how the reduction of a failing bank's liabilities might work in practice. The Bank of England will act if, in its opinion, a bank is failing, or is likely to fail, and there is not likely to be a successful private sector solution such as a takeover or share issue; a bank does not need to be technically insolvent (with liabilities exceeding assets) before regulatory intervention such as a bail-in takes place.

The combined effect of the BRRD and the UK's Deposit Guarantee Scheme Directive (DGSD) is to promote deposits of individuals and SMEs above those of public authorities, large corporates and financial institutions. Other EU countries, and eventually all other developed countries, are expected to adopt similar approaches in due course.

In December the Bank's Prudential Regulation Authority (PRA) stress tested eight UK financial institutions to assess their resilience to a very severe housing market shock and to a sharp rise in interest rates and address the risks to the UK's financial stability. Institutions which 'passed' the tests but would be at risk in the event of a 'severe economic downturn' were Lloyds Banking Group and Royal Bank of Scotland. Lloyds Banking Group, whose constituent banks are on the Authority's lending list, is taking measures to augment capital and the PRA does not require the group to submit a revised capital plan. RBS, which is not on the Authority's lending list for investments, has updated plans to issue additional Tier I capital. The Co-operative Bank failed the test.

The European Central Bank also published the results of the Asset Quality Review (AQR) and stress tests, based on December 2013 data. 25 European banks failed the test, falling short of the required threshold capital by approximately €25bn (£20bn) in total – none of the failed banks featured on the Authority's lending list.

In October following sharp movements in market signals driven by deteriorating global growth prospects, especially in the Eurozone, Arlingclose advised a reduction in investment duration limits for unsecured bank and building society investments to counter the risk of another full-blown Eurozone crisis. Durations for new unsecured investments with banks and building societies which were previously reduced. Duration for new unsecured investments with some UK institutions was further reduced to 100 days in February 2015.

The outlawing of bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits rose relative to other investment options. The Authority therefore increasingly favoured secured investment options or diversified alternatives such as money market funds over unsecured bank and building society deposits.

Over the last 12 months the Authority has looked to diversify its investments, whilst being mindful of its low risk strategy, a further £10.5m was invested into the Property Fund and £6m was put into Bonds. At the end of the year a number of Money Market Funds were opened to hold our working capital balance to remove the risk of being caught out, if a bank fails.

Budgeted Income and Outturn

The average cash balances were £122.2m during the year. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels (see Table I in Appendix 2). New deposits were made at an average rate of 1.4%.

The Authority's budgeted investment income for the year was £0.971m. The Authority's investment outturn for the year was £1.392m.

Externally Managed Funds:

Below is a list of our externally managed funds, with the date of investment, amount invested, current value of our investment, purchase and current unit price and gains/losses. Our strategy for holding externally managed funds is long term and therefore we expect there to be short term volatility in these markets.

Investment Date	Type	Investment	Units Purchased	Price at purchase date Pence	Current Investment value	Overall Gain/(Loss)
CCLA LAMIT PROPERTY FUND						
28-Mar-13	Distributing	£5m	2,237,337	223.48	£6,181,986	£1,181,986
28-Feb-14	Distributing	£2.5m	977,097	255.86	£2,699,817	£199,817
31-May-14	Distributing	£2.5m	957,048	261.22	£2,644,419	£144,419
30-Nov-14	Distributing	£5m	1,806,815	276.73	£4,992,411	(£7,589)
FEDERATED PRIME RATE CASH PLUS FUND						
11-Jun-13	Accumulating	£1m	9,910	100.91	£1,010,306	£10,306
06-Jun-14	Accumulating	£1m	9,854	101.48	£1,004,632	£4,632
IGNIS STERLING SHORT DURATION CASH FUND						
10-Jun-13	Accumulating	£1m	98,803	10.12	£1,013,171	£13,171
12-Jun-14	Accumulating	£1m	98,068	10.20	£1,005,629	£5,629
INVESTEC SHORT BOND FUND						
26-Jun-13	Accumulating	£1m	71,730	13.94	£1,015,085	£15,085
16-Jun-14	Accumulating	£1m	71,191	14.05	£1,007,447	£7,447
INVESTEC TARGET RETURN FUND						
26-Jun-13	Distributing	£1m	1,013,788	0.99	£990,268	(£9,732)
PAYDEN & RYGEL STERLING RESERVE FUND						
13-Jun-13	Distributing	£1m	98,913	10.11	£1,000,465	£465

The only dividend received in the year was from INVESTEC Target Return Fund, of £12,741.

Update on Investments with Icelandic Banks

The latest position on the recoveries of monies invested in the Icelandic banks is as follows:

Bank	Original Deposit £m	Balance March 2015 £m
Heritable Bank	3.000	0.189
Glitnir	6.000	1.328
Landsbanki	4.000	0.000
Total	13.000	1.517

Further recoveries

The Council continues to pursue recovery of the outstanding monies in partnership with the LGA.

Compliance with Prudential Indicators

The Authority confirms compliance with its Prudential Indicators for 2014/15, with the exception of the short term borrowing structure, which were set in February 2014 as part of the Authority's Treasury Management Strategy Statement.

The Under 12 month limit has been breached during the year. This is due to more temporary short term borrowing after £30 million LOBOs were repaid in 2013/14.

Treasury Management Indicators

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

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2014/15	2015/16	2016/17
Upper limit on fixed interest rate exposure	210%	210%	210%
Actual	89.40%		
Upper limit on variable interest rate exposure	60%	60%	60%
Actual	47.27%		

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower	Actual
Under 12 months	40%	0%	48.53%
12 months and within 24 months	60%	0%	30.50%
24 months and within 5 years	60%	0%	19.41%

5 years and within 10 years	50%	0%	2.58%
10 years and within 20 years	50%	0%	5.71%
20 years and within 30 years	30%	0%	5.94%
30 years and within 40 years	20%	0%	6.79%
40 years and within 50 years	20%	0%	10.86%
50 years and above	20%	0%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2014/15	2015/16	2016/17
Limit on principal invested beyond year end	£40m	£40m	£40m
Actual	£3m	£3m	£3m

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Actual
Portfolio average credit score	7.0	4.55

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target	Actual
Total cash available within 3 months	£15m	£15.1m

There are additional prudential indicators in Appendix I.

Investment Training

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.

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.

The Council continues to keep its training requirement under review.

Appendix I**Prudential Indicators 2014/15**

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

Estimates of Capital Expenditure: The Authority's planned capital expenditure and financing may be summarised as follows. Further detail is provided in the capital programme report.

Capital Expenditure and Financing	2014/15 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m
General Fund	53.791	76.209	27.700
Total Expenditure	53.791	76.209	27.700
Capital Receipts	9.805	21.945	4.570
Government Grants	31.148	26.515	19.993
Reserves	2.923	4.613	1.258
Revenue	3.123	3.493	0.060
Borrowing	6.792	19.643	1.819
Leasing and PFI	-	-	-
Total Financing	53.791	76.209	27.700

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

Capital Financing Requirement	31.03.15 Actual £m	31.03.16 Estimate £m	31.03.17 Estimate £m
General Fund	266.1	276.2	287.7
Total CFR	266.1	276.2	287.7

The CFR is forecast remains relatively stable over the next three years.

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.15 Actual £m	31.03.16 Estimate £m	31.03.17 Estimate £m
Borrowing	225.7	237.3	231.2
Finance leases	1.7	1.5	1.4
PFI liabilities	28.6	27.8	26.9
Cornwall County Council (TBTF)	10.0	9.6	9.2
Total Debt	266.0	276.2	268.7

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

The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Operational Boundary	2014/15 £m	2015/16 £m	2016/17 £m
Borrowing	249.6	274.5	274.5
Other long-term liabilities	40.3	39.6	38.0
Total Debt	289.9	314.1	312.5

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2014/15 £m	2015/16 £m	2016/17 £m
Borrowing	269.0	295.9	325.5
Other long-term liabilities	39.2	39.6	38.0
Total Debt	309.2	335.5	363.5

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, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2014/15 Actual %	2015/16 Estimate %	2016/17 Estimate %
General Fund	8.2	8.7	9.1

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 the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed earlier in this report.

Incremental Impact of Capital Investment Decisions	2014/15 Estimate £	2015/16 Estimate £	2016/17 Estimate £
General Fund - increase in annual Band D Council Tax	3.6	11.0	17.0

Adoption of the CIPFA Treasury Management Code: As per the requirement of the Prudential Code, the Authority has adopted the Treasury Management Code at its meeting of Full Council in April 2002. The Council has incorporated the changes from the revision to the CIPFA Code of practice in 2009 and 2011 into its treasury policies, procedures and practices.

Money Market Data and PWLB Rates

The average, low and high rates correspond to the rates during the financial year rather than those in the tables below.

Please note that the PWLB rates below are Standard Rates. Authorities eligible for the Certainty Rate can borrow at a 0.20% reduction.

Table 1: Bank Rate, Money Market Rates

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2014	0.50	0.36	0.39	0.42	0.46	0.56	0.84	1.05	1.44	2.03
30/04/2014	0.50	0.36	0.40	0.42	0.47	0.57	0.85	1.09	1.47	2.02
31/05/2014	0.50	0.35	0.40	0.43	0.48	0.67	0.87	1.11	1.46	1.98
30/06/2014	0.50	0.36	0.40	0.43	0.50	0.71	0.94	1.33	1.70	2.17
31/07/2014	0.50	0.37	0.41	0.43	0.50	0.72	0.97	1.34	1.71	2.17
31/08/2014	0.50	0.36	0.42	0.43	0.50	0.77	0.98	1.22	1.53	1.93
30/09/2014	0.50	0.43	0.45	0.43	0.51	0.66	1.00	1.25	1.57	1.99
31/10/2014	0.50	0.40	0.43	0.43	0.51	0.66	0.98	1.10	1.38	1.78
30/11/2014	0.50	0.35	0.50	0.43	0.51	0.66	0.97	0.93	1.15	1.48
31/12/2014	0.50	0.43	0.48	0.42	0.51	0.66	0.97	0.92	1.12	1.44
31/01/2015	0.50	0.45	0.45	0.43	0.51	0.66	0.95	0.83	0.98	1.18
28/02/2015	0.50	0.43	0.47	0.43	0.51	0.66	0.96	0.99	1.22	1.53
31/03/2015	0.50	0.50	0.62	0.43	0.51	0.74	0.97	0.88	1.06	1.34
Average	0.50	0.39	0.44	0.43	0.50	0.67	0.95	1.09	1.38	1.79
Maximum	0.50	0.50	0.62	0.43	0.51	0.81	1.00	1.38	1.77	2.26
Minimum	0.50	0.24	0.36	0.42	0.46	0.56	0.84	0.80	0.96	1.18
Spread	--	0.26	0.26	0.01	0.05	0.25	0.16	0.58	0.81	1.08

Table 2: PWLB Borrowing Rates - Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/14	1.44	2.85	3.83	4.41	4.51	4.49	4.47
30/04/2014	166/14	1.45	2.86	3.79	4.37	4.46	4.43	4.41
31/05/2014	206/14	1.45	2.78	3.65	4.27	4.38	4.35	4.33
30/06/2014	248/14	1.63	2.95	3.74	4.30	4.40	4.36	4.34
31/07/2014	294/14	1.66	2.96	3.70	4.21	4.30	4.27	4.25
31/08/2014	334/14	1.55	2.70	3.38	3.88	3.97	3.94	3.93
30/09/2014	378/14	1.57	2.77	3.46	3.96	4.07	4.05	4.03
31/10/2014	424/14	1.44	2.54	3.27	3.86	3.99	3.97	3.96
30/11/2014	465/14	1.39	2.27	2.94	3.54	3.68	3.66	3.65
31/12/2014	508/14	1.32	2.19	2.80	3.39	3.53	3.50	3.49
31/01/2015	042/15	1.30	1.94	2.44	2.98	3.12	3.08	3.06
28/02/2015	082/15	1.37	2.24	2.83	3.37	3.50	3.46	3.45
31/03/2015	126/15	1.31	2.06	2.65	3.20	3.33	3.29	3.28

	Low	1.28	1.91	2.38	2.94	3.08	3.03	3.02
	Average	1.47	2.56	3.28	3.85	3.96	3.93	3.92
	High	1.69	3.07	3.86	4.42	4.52	4.49	4.48

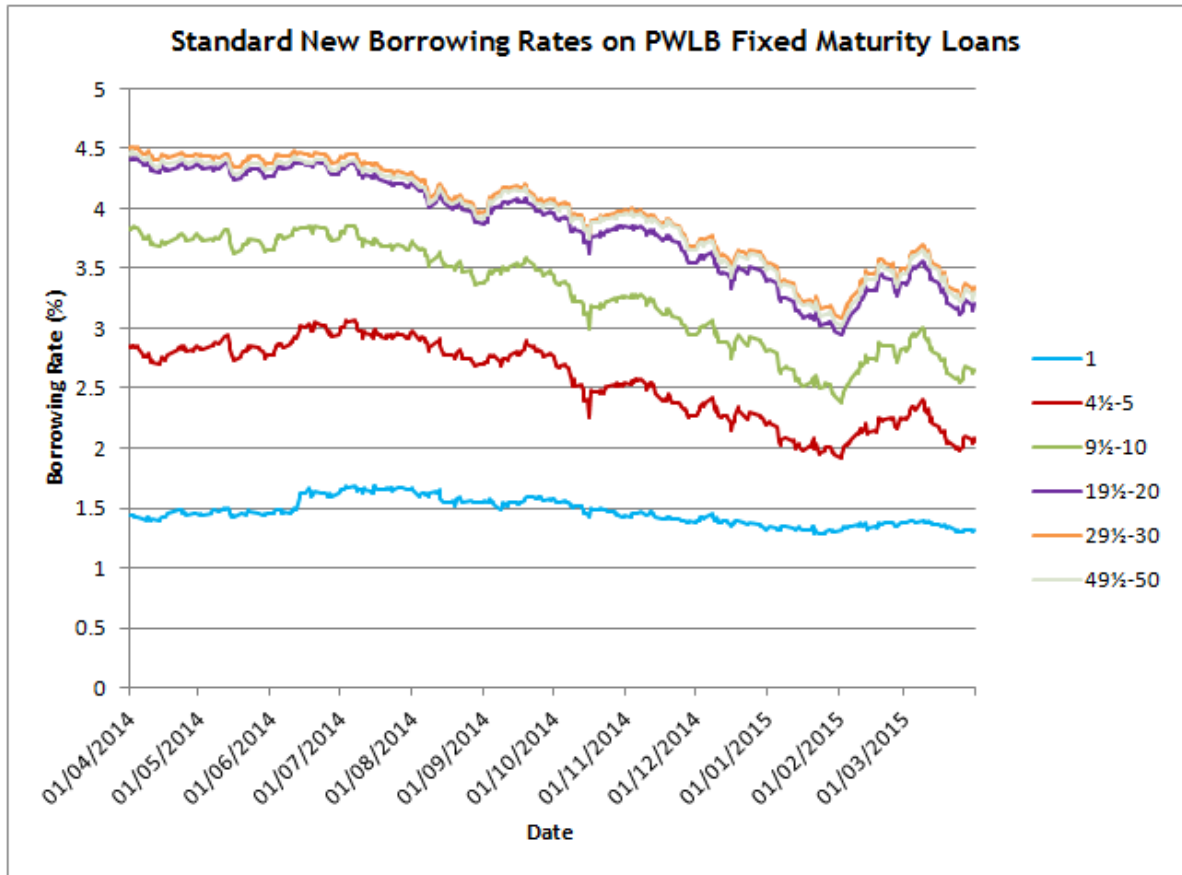


Table 3: PWLB Borrowing Rates - Fixed Rate, Equal Instalment of Principal (EIP) Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/14	2.09	2.92	3.85	4.24	4.42	4.49
30/04/2014	166/14	2.12	2.93	3.82	4.20	4.38	4.45
31/05/2014	206/14	2.08	2.84	3.68	4.08	4.27	4.36
30/06/2014	248/14	2.29	3.01	3.76	4.12	4.30	4.38
31/07/2014	294/14	2.32	3.02	3.73	4.05	4.21	4.28
31/08/2014	334/14	2.13	2.75	3.40	3.72	3.89	3.95
30/09/2014	378/14	2.18	2.82	3.48	3.79	3.97	4.05
31/10/2014	424/14	1.97	2.59	3.29	3.66	3.86	3.96
30/11/2014	465/14	1.79	2.31	2.96	3.32	3.54	3.65
31/12/2014	508/14	1.72	2.23	2.82	3.17	3.39	3.50
31/01/2015	042/15	1.59	1.98	2.45	2.77	2.99	3.10
28/02/2015	082/15	1.78	2.29	2.84	3.16	3.38	3.48
31/03/2015	126/15	1.62	2.10	2.67	2.99	3.21	3.31
	Low	1.58	1.94	2.40	2.72	2.95	3.06
	Average	1.99	2.61	3.31	3.66	3.85	3.94
	High	2.39	3.13	3.89	4.26	4.43	4.50

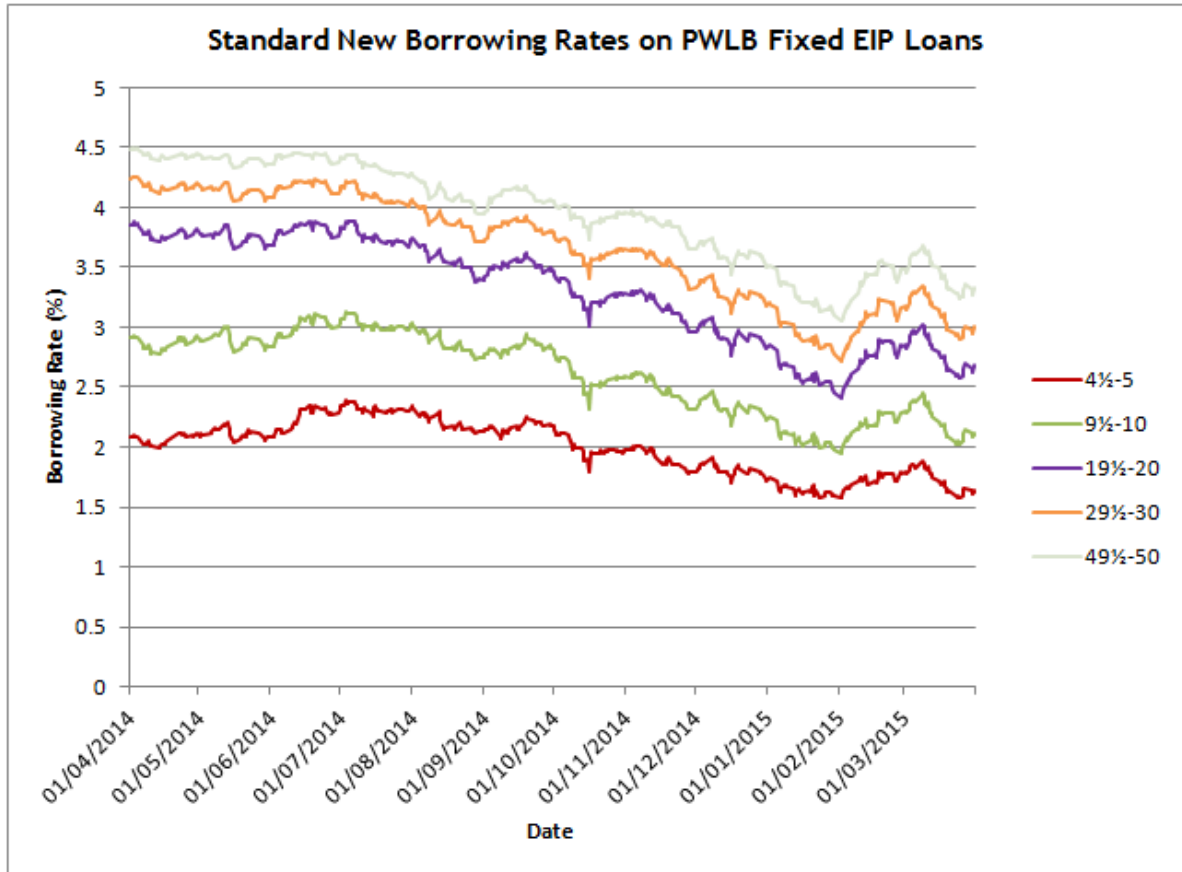


Table 4: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
01/04/2014	0.55	0.56	0.57	1.45	1.46	1.47
30/04/2014	0.55	0.56	0.57	1.45	1.46	1.47
31/05/2014	0.55	0.57	0.58	1.45	1.47	1.48
30/06/2014	0.59	0.61	0.67	1.49	1.51	1.57
31/07/2014	0.58	0.61	0.69	1.48	1.51	1.59
31/08/2014	0.58	0.62	0.72	1.48	1.52	1.62
30/09/2014	0.64	0.68	0.75	1.54	1.58	1.65
31/10/2014	0.61	0.63	0.68	1.51	1.53	1.58
30/11/2014	0.58	0.64	0.69	1.48	1.54	1.59
31/12/2014	0.60	0.62	0.66	1.50	1.52	1.56
31/01/2015	0.59	0.60	0.65	1.49	1.50	1.55
28/02/2015	0.61	0.61	0.66	1.51	1.51	1.56
31/03/2015	0.62	0.62	0.66	1.52	1.52	1.56
Low	0.55	0.56	0.57	1.45	1.46	1.47
Average	0.59	0.61	0.66	1.49	1.51	1.56
High	0.64	0.68	0.76	1.54	1.58	1.66

PLYMOUTH CITY COUNCIL

Subject:	Internal Audit – Progress Report
Committee:	Audit Committee
Date:	17 September 2015
Cabinet Member:	Councillor Lowry
CMT Member:	Lesa Annear (Strategic Director for Transformation and Change)
Author:	Robert Hutchins, Head of Devon Audit Partnership
Contact details:	Tel: 01752 306710
Ref:	AUD/RH
Key Decision:	No
Part:	I

Purpose of the report:

This report provides Members of the Audit Committee with a position statement on the audit work carried out since April 2015 and based on work performed to date during 2015/16, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

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.

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? No

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, 2011 and 2015.

Published work / information:

Internal Audit Annual Plan 2015/16 – June 2015

Background papers:

None

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 2015-16

Plymouth City Council
Audit Committee

September 2015



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

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the government security classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Introduction

This report provides a summary of performance in the year up to 21 August 2015 against the internal audit plan for the 2015/16 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.

Review of Audit Coverage

Overall, good progress has been made against the plan agreed with management for the 2015/16 financial year. Progress in the period up to 21 August 2015 has included completion of work carried forward from 2014/15, 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 2015 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 2015/16, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

Inherent Limitations

Acknowledgements

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.

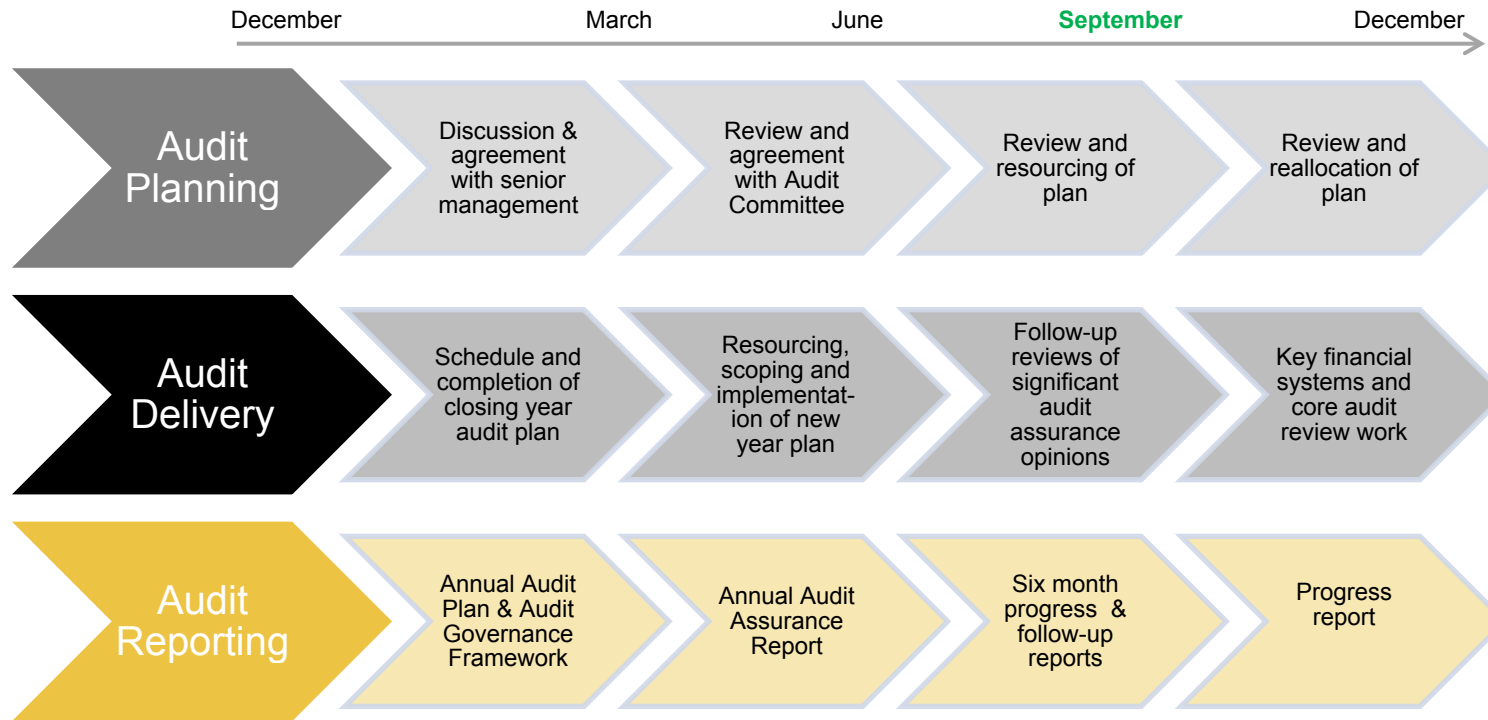
We would like to express our thanks and appreciation to all those who provided support and assistance during the course of the audits.

Recommendations

It is recommended that the report be noted.

Robert Hutchins
Head of Audit Partnership

Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec / Jan 2015	Directorate planning meetings
March 2015	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year end field work completed
Apr / May 2015	Annual Performance reports written
June 2015	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous years audit work commences
Sept 2015	Follow-up and progress reports presented to Audit Committee
Dec 2015	Six month progress reports presented to Audit Committee
	2016 Internal Audit Plan preparation commences

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Brenda Davis Audit Manager – Corporate & Place T 01752 306713 M 07816934144 E brenda.davis@devonaudit.gov.uk	Chris Elliott Audit Manager - People T 01392 383000 M 07816947531 E chris.elliott@devonaudit.gov.uk	Jane Quick Audit Manager – Schools and Business Development T 01392 383000 E jane.quick@devonaudit.gov.uk

Appendix 1 – Assurance Opinion and extract Executive Summaries – Up to 21 August 2015

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
Transformation – Overall Programme					
Programme Boards	SRR – Red ANA - High	15/16	On-Going		
Transformation - Co-operative Centre of Operations (CCO)					
Strategic Centre	SRR – Red ANA - High	15/16			See Assure Project and Service Integration & Management
Assure Project		15/16	Complete	N/A	The strategic design for Integrated Assurance has been put on hold with resources focussed on Corporate Fraud commercialisation business case. DAP have fed into this process providing information and recommendations regarding: <ul style="list-style-type: none"> • corporate debt recovery; • industry standards; • reporting lines.
Service Integration and Management inc. Intelligent Client, Commissioning and Procurement, Category Management and Contract Management	SRR – Red ANA - High	15/16	On-going		DAP have offered our knowledge and experience to the Commercial Services Team through support and challenge as strategies and procedures are reviewed and developed.
Civica Financials Project	ANA - High	15/16	Not Started		
Transformation – Customer & Service					
Co-operative Reviewing of Service Areas	SRR – Red ANA - High	15/16	Not Started		
Customer Feedback		15/16	In Progress		

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Transformation – Growth, Assets & Municipal Enterprise (GAME)					
Street Services Review – See Below	SRR – Red ANA - High	15/16	N/A	N/A	The allocated resource in the original audit plan are being utilised on audit areas as shown below, in agreement with officers. Further areas could be identified as the year progresses.
Street Services – Missed Bins		15/16	Ongoing	Value Added	<p>Following the implementation of the city domestic waste collection routes, the service area requested an audit to review the end-to-end process relating to the reporting and collection of “missed” bins. The work involved understanding the systems currently in operation, analysing the problems and making recommendation to improve the efficiency of the service.</p> <p>The report provided assurance on areas, including:</p> <ul style="list-style-type: none"> • software and technical solutions; • interaction and interface with the local community; • reporting and metrics and, included • “As Is” and “To Be” process maps. <p>Following issue of the formal report, work is continuing to support Waste Services in improving the Missed Bin end-to-end process as this impacts the ability to improve service efficiency and influence improvements to recycling within the city.</p>
Street Services – Tree Management		15/16	In Progress		The objective of this review is to ensure the best possible service provision from the Street Services Tree Team. Current working arrangements and procedures will be determined and evaluated to identify potential opportunities for efficiencies that will look to reduce costs and release capacity to develop proactive work, adding value to the overall service.
Fleet Management	SRR – Red ANA – Medium	15/16	Not Started		
Transformation – Integrated Approach to Health & Wellbeing					
Integrated Community Health and Social Care Service Delivery	SRR – Red ANA - High	15/16	N/A	N/A	The allocated resources in the original audit plan are being utilised on the Integrated Health and Wellbeing Board, in agreement with officers.

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Integrated Commissioning	SRR – Red ANA – High	15/16	N/A	N/A	The allocated resources in the original audit plan are being utilised on the Integrated Health and Wellbeing Board, in agreement with officers.
Integrated Health & Wellbeing Board	SRR – Red ANA - High	15/16	In Progress	N/A	<p>Work to support the IHWB Programme has included attendance at the IHWB Programme Board. Through this we have been able to keep informed of, challenge and support the key aspects of IHWB. These projects have all now entered “Phase 2” and audit involvement is being refined. Specific audit reviews which are being scoped and agreed include:</p> <ul style="list-style-type: none"> • Governance and Risk management across IHWB; • Reporting of Spend and Budget Monitoring (Integrated fund); • Financial Framework update review; • Review of the PCC Retained Client Functions (following transfer of Adult Social Care to Plymouth Community Healthcare).
Implementing the Care Act	SRR – Red ANA – High	15/16	N/A	N/A	The allocated resources in the original audit plan are being utilised on Phases 1 & 2 of the Care Act implementation, as agreed with officers.
Implementing the Care Act (Phase 1)	SRR – Red ANA - High	15/16	Draft	N/A – Situation Report Issued	<p>Phase 1 of the Care Act was implemented on 1 April 2015. We carried out a specific review of the key aspects and resulting PCC compliance. The situation report issued in July 2015 commented on areas including Care Act Training, Client Finance Services workloads, invoicing and Safeguarding Adult Board (SAB) requirements. Areas for improvement included:</p> <ul style="list-style-type: none"> • Ensuring that eLearning packages are suitable and accredited; • Ensuring that project documentation is stored centrally and available for all related persons; • The need to improve the way invoices are produced to ensure that there is clear information relating to charges applied for services billed; • Arranging final sign off for the SAB Strategic Plan and evidencing the agreement to formally share information.
Implementing the Care Act (Phase 2)	SRR – Red ANA - High	15/16	In Progress		<p>Work commenced in April 2015 on the implementation of Phase 2 of the Care Act with a deadline of April 2016. Phase 2 includes:</p> <ul style="list-style-type: none"> • Introducing a Cap on Care Costs; • Providing a Statement for those not receiving care through the Council which outlines eligible costs for the cap; • Care Accounts with which to record costs;

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
					<ul style="list-style-type: none"> A system of appeals linked to the implementation of Part 1. <p>In July 2015, the Government announced the delay of Phase 2 until 2020 to allow further consideration of the impacts. In light of this the Care Act Part 2 Project has been put on hold and a review meeting is due to be held in late September 2015.</p>
Co-operative Children, Young People and Family Services	SRR – Red ANA - High	15/16	In Progress		<p>The Co-operative Children, Young People and Family Services (CYPF) project within the IHWB Programme contains a number of strands. Work has been undertaken by the project to identify these and audit support has been provided through the Project Board. Moving forward work is anticipated to include the following areas:</p> <ul style="list-style-type: none"> Wrap Around Care SEND Proposals Early Help offer Mobile Working
Transformation – People & Organisation Development					
<p>DAP have continued to provide support and challenge to the workstreams that come under the responsibility of the People and Organisation Development Transformation programme, in particular Accommodation and Infrastructure as every effort is made to ensure that remaining services are decanted from the Civic Centre by the end of September in line with the agreement with Urban Splash.</p>					
Major Infrastructure & Investment Projects					
History Centre (Record Office)	ORR – Amber ANA - Medium	15/16	On-going		DAP have provided support, advice and assurance to the Project as it progresses through the design stages.
Waste PFI	ANA - Medium Client Request	15/16	On-going		DAP has continued its presence on the Project Executive Board and working with the Contract Manager to establish Audit and Assurance Plans.

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Value Added					
People – Completion of Fostering Review	ANA – High Client Request	15/16	Complete	N/A	Further to a request from management, DAP has undertaken benchmarking / analytical review comparing Plymouth’s fostering allowances with those of its ‘nearest neighbours’ (as defined by Cipfa / Audit Commission), with other relevant local authorities in the South West and other “South Coast” unitary authorities. The findings from this review will be used by Fostering Services in future consultation with Plymouth’s in-house foster carers when developing a revised fostering allowance policy.
People – Director of Children’s Service’s Local Assurance Test Review	ANA – High Client Request	15/16	In Progress	N/A	The Strategic Director for People holds the dual role of Director of Children’s Services (DCS) and Director of Adult Services (DAS) and in accordance with Department for Education (DFE) requirements the Council is required to review its ability to carry out the DCS role. Following completion of the self-assessment known as the Local Assurance Test (LAT), DAP were asked to carry out an independent review of the evidence supporting the LAT.
Early Intervention (Families With a Future)	Statutory Client Request	15/16	Ongoing	Part - Certified	The final claim for 2014/15 has been reviewed and certified and claims for 2015/16 will be subject to audit review as the year progresses. Ongoing advice and support continues to be provided as the systems to evidence and track outcomes under Phase 2 of the Families With a Future programme are developed. The 2015/16 quarter 1 claim will be reviewed towards the end of September.
Highways Contract	ANA – High Client Request	15/16	In Progress		DAP attends the Highways Project Board, set up to oversee the re-tendering of the City’s Highways maintenance contract, to ensure that risks and issues are identified and mitigated as well as provide support and challenge to the procurement process.
Commissioning of Events	ANA - Medium	15/16	In Progress		In isolation the budget and associated spend of the Events team is not material. However, events are high-profile and attract interest and scrutiny from the media, members and the public. The focus of this review is to evaluate and report on the adequacy of controls, process and management practice in connection with the planning and staging of public events involving the Council.

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Pension Advice	Client Request	15/16	Complete	N/A	A briefing note was prepared outlining key points for considering by finance officers in relation to pension arrangements when considering changes to service delivery vehicles.
The following value added reviews will be commenced in the second half of 15/16:					
<ul style="list-style-type: none"> ➤ Public Health – Substance Misuse (Outcomes Measurement) ➤ Management of DELT Contract ➤ Customer Services - Review of Implemented Transformation Changes 	ANA – Medium (Client Request) ANA – High (Client Request) ANA – High (Client Request)		<ul style="list-style-type: none"> ➤ Plymouth Community Homes Contract ➤ Historic Environment Advice ➤ Capital Programme Governance ➤ Financial Regulations 	ANA – Medium (Client Request) ANA – Low (Client Request) ANA - High (Client Request) ANA – Medium (Client Request)	
Core Assurance – Key Financial System					
Civica Financials – Debtors	ANA - Low	14/15	Final	Good Standard	Assurance was reported in the 2014-15 annual report; please refer to that report for details.
Civica Financials – Creditors	ANA - High	14/15	Final	Good Standard	<p>The Buyers Team, responsible for low value/low risk procurement of goods and services, transferred from Strategic Procurement to the Transaction Centre and as they work alongside the Creditors Team the scope of this review was expanded to enable assurance to be provided on the end-to-end central procurement / payment process.</p> <p>Controls within the Purchasing and Creditor systems are effective with an increase in the number of invoices being paid within 30 days and 15 days (for SME's). Prior to each payment run, specialist software is used to check for possible duplicate payments to improve control</p> <p>Due to the amount of change and to support the continued development and streamlining of the service we have recommended that:</p> <ul style="list-style-type: none"> • procedural and guidance documents are updated to reflect the new structure; • it should be ascertained if a 'stop' can be added to Civica which would prevent the same person from amending and completing a change of creditor number ensuring that a separation of duty exists for this task; • a system to be put in place for officers to declare any "interest" they may have in a supplier from whom they are required to obtain a quotation.

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Civica Financials - Main Accounting	ANA - Medium	14/15	Final	Improvements Required	Assurance was reported in the 2014-15 annual report; please refer to that report for details.
Academy – NNDR (Business Rates)	ANA - Low	14/15	Final	Good Standard	Assurance was reported in the 2014-15 annual report; please refer to that report for details.
Academy - Council Tax	ANA - Medium	14/15	Final	Good Standard	<p>The level of internal control within the Council Tax system continues to operate to a good standard with the collection rate remaining constant at around 96%pa.</p> <p>There have been a number of changes in staff, their roles and responsibilities and to support the continued development and streamlining of the service we recommended that an end to end review of procedures is undertaken to ensure that they align with corporate requirements e.g. the income and credit management policy, providing comprehensive instruction and clarity for staff. Particular areas highlighted include:</p> <ul style="list-style-type: none"> • detailing the checks / actions to be completed to ensure that all options for recovery have been exhausted prior to debt write off; • documenting the process for writing debt onto the system should the whereabouts of a debtor subsequently become known after the debt has been written off; • ensuring reconciliation of daily income postings are completed on a timely basis.
Academy - Housing Benefits	ANA - High	14/15	Final	Improvements Required	<p>It is acknowledged that this audit was undertaken against a back drop of service improvement / recovery work, including DAP's earlier Revenues & Benefits Service Improvements review and when the review was undertaken, work was on-going to address the issues reported previously.</p> <p>Whilst the overall caseload reduced from 30,230 in April 2014 to 28,777 by the end of March 2015 year-end processing figures for new claims had worsened. Recommendations made and agreed by the recently appointed service manager include:</p> <ul style="list-style-type: none"> • review of the Risk Based Verification (RBV) policy to ensure it is aligned with service direction and software reporting issues to be raised with the supplier;

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
					<ul style="list-style-type: none"> • QA procedures to highlight cases where processing times significantly exceed targets with cases reviewed to ensure that underlying factors affecting performance are captured and remedial action taken as appropriate; • monthly performance reports should include details of the overpayments written off to ensure that full visibility of performance; • Cipfa benchmarking to be re-instated.
iTrent - Payroll	ANA - High	14/15	Final	Good Standard	Assurance was reported in the 2014-15 annual report; please refer to that report for details.
Fixed Asset Register	ANA - Medium	15/16	Final	Good Standard	<p>Due to the nature of the audit and the timing of the year end processes, this work relates to the system in operation during 2014/15 which found the processes and management practices in place to manage the Council's fixed assets and capital resources appropriate and effective.</p> <p>A project is underway to update and renew the Capital Strategy Framework and the plans which feed into it, to ensure it reflects the ongoing needs and strategic direction of the Council and its commitment to continue to invest in the City. The revised Framework will provide improved scope whilst enabling greater transparency, for instance relating to the apportionment of support costs to service areas and will draw on the results of the Strategic Property Review and the aims and objectives of the GAME and POD Transformation delivery programmes.</p> <p>A recommendation made to review and update those sections within Financial Regulations relating to the rules and responsibilities for the Capital Programme has been actioned and the changes approved by the June 2015 Audit Committee.</p>
Domiciliary Care Payments (originally Residential Care Payments)	ANA - High	15/16	In Progress		At the request of management, resources were re-allocated to review domiciliary care payments. This review is currently in progress.

The following core assurance / key financial systems will be commenced in the second half of 15/16:

Civica Financials:

- Creditors
- Main Accounting
- Debtors

ANA – High / Medium / Low

Academy Revs & Bens:

- Housing Benefits
- Sys Parameters
- Council Tax

ANA – High / Medium / Low

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
CareFirst – Adults ➤ Residential Care Billing	ANA - High		➤ Business Rates Treasury Management Payroll		ANA – Low ANA – High
Core Assurance - Other					
Corp Information Management & Security <ul style="list-style-type: none"> • Business • IT Inc. PSN 	SRR - Amber ANA - High	15/16	On-Going		DAP continues to attend and support the Information Lead Officers Group (ILOG) and has regular contact with the Council's Corporate Information Manager regarding matters concerning data / information management and security.
Business Continuity	SRR – Green ANA - Medium	15/16	On-Going		DAP continues to attend meetings of the Council's Business Continuity Strategy Group. In addition, Audit give consideration to issues relating to Business Continuity plans within individual service reviews and projects that it has involvement in.
ICT <ul style="list-style-type: none"> • Service Strategy • Service Design 	ANA - High	15/16	On-Going		<p>Internal Audit have performed a watching brief in respect of the developing retained client functions and controls that have been put in place since ICT service provision moved from 'in-house' to Delt Services. Both management and operational processes are being developed as the business relationship between PCC and Delt Services evolves. Whilst it is not considered appropriate to undertake a formal review at this stage, Internal Audit consider that retained client functions are being appropriately progressed.</p> <p>As planned, ICT audit resources are being input into new business solutions, system development and potential areas of service improvement that will deliver better value for money. Service areas being supported include Waste and Customer Services, where process re-engineering and information technologies are fundamental to the transformational change process.</p> <p>No work has been undertaken in respect of the Service Strategy process itself as strategic direction is being defined by the Transformation Programme.</p>

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
Barclays "Spend Management"	ANA – High	15/16	Draft	Good Standard	<p>The design of the system contains inbuilt controls which prevent users from exceeding their monthly credit and transaction limits. Purchases can only be made against merchant codes allocated to each specific cardholder in accordance with their role and service needs.</p> <p>Areas highlighted in the report which would further strengthen the system include:-</p> <ul style="list-style-type: none"> documenting the roles and responsibilities which are split between the Transaction Centre and the Financial Systems Team to ensure clarity and understanding; developing a short VAT training session to ensure cardholders/ approvers:- <ul style="list-style-type: none"> gain a better understanding of the complexities of VAT and how it applies in their specific areas of spend; and understand the rules around VAT recovery and how this is needed by the Authority to help minimise expenditure.
Travel and Subsistence	ANA - Medium Client Request	15/16	In progress		<p>Following the roll-out of HR self-service earlier this year for mileage and expense claims, it was agreed that we would:-</p> <ul style="list-style-type: none"> review a random sample of employees from various departments to check that all receipts are retained, as required by HM Revenues & Customs and in line with the published process, and capture any feedback in respect of the new system.
Mount Edgcumbe Joint Committee – Small Bodies Return	Statutory	15/16	Complete	High Standard	<p>Mount Edgcumbe Joint Committee's focus for 2014/15 was to drive forward the transformational change of Mount Edgcumbe Park.</p> <p>Cornwall Council and Plymouth City Council's made a total annual contribution of £284k for 2014/15, a reduction of £30k from 2013/14. As part of on-going business planning, budget monitoring and transformation projects, risks to objectives are considered and a formal risk register was developed and presented to the Joint Committee in July 2015.</p>
Schools Financial Value Standards (SFVS)	ANA - Low	15/16	Final	Good Standard	<p>SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2014/15 submitted to the Department for Education.</p>

Risk Area / Audit Entity	Audit Needs Assessment (ANA)	Year	Status	Assurance Opinion	Executive Summary
The following core assurance (other) reviews will be commenced in the second half of 15/16:					
Corporate Contracts	ANA – High		Highways Act – Section 38 and Section 278		ANA – Low (Client Request)
Planning Application Conditions Compliance	ANA – Low (Client Request)				
Grants					
Rogue Landlord Funding	Regulatory Requirement	15/16	Complete	Certified	No issues identified
Autism Innovation Capital Grant 31/2424	Regulatory Requirement	15/16	Complete	Certified	No issues identified
Community Capacity Grant 31/2393	Regulatory Requirement	15/16	Complete	Certified	No issues identified

PLYMOUTH CITY COUNCIL

Subject:	Internal Audit – Follow-Up Work
Committee:	Audit Committee
Date:	17 September 2015
Cabinet Member:	Councillor Lowry
CMT Member:	Lesla Annear (Strategic Director for Transformation and Change)
Author:	Robert Hutchins, Head of Devon Audit Partnership
Contact details:	Tel: 01752 306710
Ref:	AUD/RH
Key Decision:	No
Part:	I

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 2014/15 to date and reported on.

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

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? No

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, 2011 and 2015.

Published work / information:

Internal Audit Annual Report 2014/15 – June 2015

Background papers:

None

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 Report

Follow Up Report on
Areas Requiring
Improvement

Plymouth City Council

September 2015

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 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.

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the government security classifications . It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Introduction

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 2014/15, 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

Our assurance opinion remains as reported in our Annual Audit Report 2014/15; ‘Reasonable Assurance’.

Progress Impact Assessment

The progress made means the previously identified risks are being minimised or mitigated where appropriate.

Improvements in the areas affecting operational and strategic risks have progressed. There remains areas where progress is ongoing and some of these areas will be subject to further examination later in the year as part of our planned work or the issues raised have been taken into account in developments within the service area.

Changes in operational arrangements will result in previously agreed action plans becoming unnecessary. For example, the House Let Scheme which is currently under review as part of Transformation.

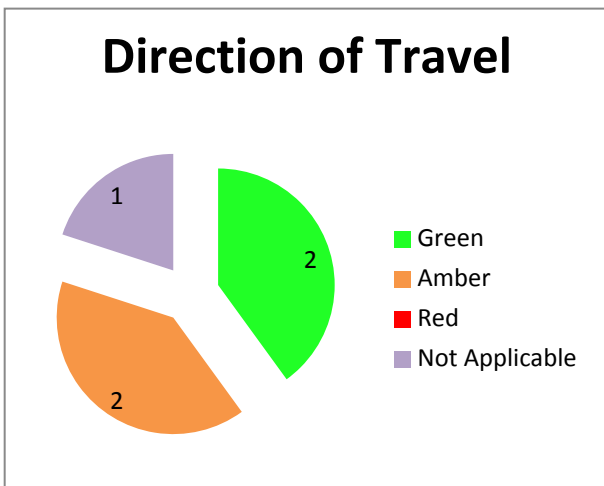
In addition, where the agreed actions are set for future dates and have therefore not formed part of this follow up exercise, the identified risks will remain until such time as the actions are complete.

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

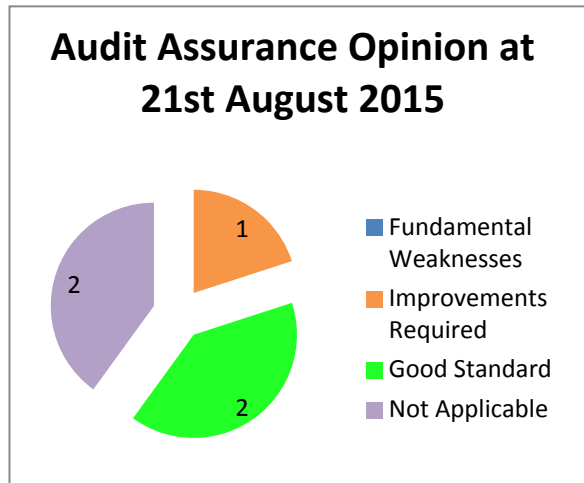
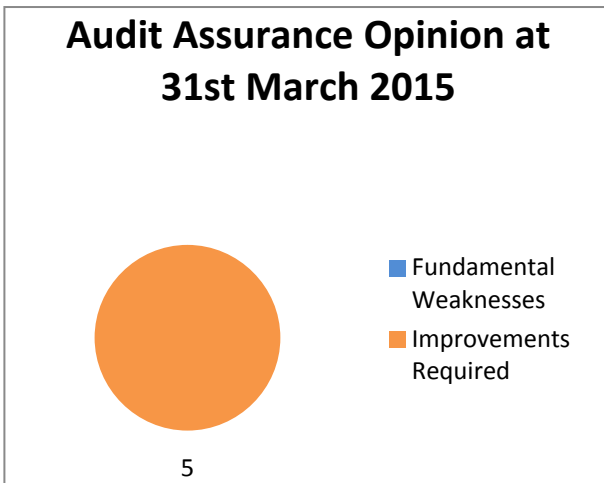
Reasonable progress has been made against the agreed action plans as shown in the 'Direction of Travel' chart. The subsequent charts record the resulting change in audit assurance opinion based upon the follow up work undertaken.

It should be noted that we were unable to provide an updated assurance opinion in relation to two areas. One was in part due to the significant change in arrangements resulting in previously agreed actions no longer being applicable. This area will be considered within our audit planning process for future years. The second is where the Council no longer has direct responsibility.



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

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 one opinion remains unchanged at this time, this does not reflect lack of action.

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 appreciate that the risk is identified and recognised 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 2014/15, 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

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 2014-15 presented to the Committee in June 2015.

Process

For each service area where an overall audit opinion of "improvements required" was provided at the end of 2014/15 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

It is recommended that the report be noted.

Robert Hutchins
Head of Audit Partnership

Summary of Audit Follow-Ups and Findings 2014-15



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 2015	Updated Audit Assurance Opinion as at 21 August 2015	Commentary and residual risk	
Cross Cutting					
Absence Management	ANA - High	Improvements Required	Good Standard	The follow-up has shown that the majority of recommendations have been implemented. The system will be further strengthened in the following areas: <ul style="list-style-type: none"> the service has identified a need for absence management training and Audit have recommended that a programme is developed and delivered in the coming 12 months. the Managing Investigations Guide to be reviewed with consideration given to including advice on milestones within the formal investigation process a review of sickness levels over a 3 year period in order to identify trends and to spot employees who have repeated absence but who may not fall within the Top 100. 	
Corporate Landlord	ANA - High	Improvements Required	Improvements Required	Whilst the final report was issued only 3 months prior to the follow-up review, satisfactory progress has been made and assurance gained that the issues arising from the initial audit are all being actively addressed. On a strategic level the drafting of a Strategic Asset Management	 *

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2015	Updated Audit Assurance Opinion as at 21 August 2015	Commentary and residual risk	
				<p>Framework is shaping the principles by which the Council's assets are managed and how the Corporate Landlord function interacts with the accompanying Asset Management Plans.</p> <p>The Framework's monitoring arrangements include the creation of an Asset Management Forum, the absence of which was identified as a potential weakness within the initial audit.</p> <p>Operationally, a revised Maintenance strategy has been drafted and work is ongoing to ensure that site monitoring visits in respect of the Person In Control (PIC) process are up to date, with this work expected to be completed within the next six months.</p> <p>Recommendations were made regarding the potential development of the Dynamics system as current limitations were hindering the maintenance of reliable information regarding service delivery and performance. A solution is being progressed with DELT, however, it is likely that this will involve a shift away from Dynamics towards further utilisation of the Tech Forge asset management system.</p>	
People					
Carefirst Creditors	ANA - High	Improvements Required	N/A	<p>Whilst there is evidence that steps have been taken to implement the original action plan, we were unable to provide an updated assurance opinion due to the significant change in arrangements as a result of Adult Social Care transferring to Plymouth Community Healthcare resulting in some of the previously agreed actions no longer being applicable. In addition, further audit work currently being undertaken that</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel RAG Score
		Audit Assurance Opinion as at 31 March 2015	Updated Audit Assurance Opinion as at 21 August 2015	Commentary and residual risk	
				examines a specific part of Social Care creditor payments has highlighted some issues which will be reported in the near future.	
EasyLet & HouseLet	ANA - Low	Improvements Required	Good Standard	There has been satisfactory progress against the agreed recommendations. Those that remain outstanding relate to the HouseLet scheme which is being reviewed as part of the IHWB Transformation programme. Management have provided assurance that, once the review has been completed, the recommendations will be addressed where still relevant.	
Direct Payments – Pre Paid Cards	ANA - High	Improvements Required	N/A	The administration of Direct Payments (Pre-Paid Cards) is now undertaken within Plymouth Community Healthcare (PCH) following the transfer of Adult Social Care staff on 1st April 2015. Whilst a follow up review is planned, the arrangements for carrying out work within PCH as part of the PCC-PCH contract have yet to be finalised. We anticipate that this work will be undertaken in the final quarter of the 2015/16 financial year.	N/A

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 Government Security Classifications

Marking	Definitions
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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Audit Committee Work Plan 2015/16

		2015							2016					
Item	Cabinet Member / Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Internal Audit Annual Report (including six month Internal Audit Progress Report - Dec)	Cllrs Lowry and Peter Smith (Rob Hutchings/ Brenda Davis)	25						3						
Statement of Accounts 2014/15	Cllrs Lowry and Peter Smith	25			17									
Operational Risk & Opportunity Management - Update Report	Cllrs Lowry and Peter Smith (Mike Hocking)	25						3						
Risk & Opportunity Management Annual Report	Cllrs Lowry and Peter Smith (Mike Hocking)	25												
Annual Governance Statement	Cllrs Lowry and Peter Smith (Mike Hocking)	25												
Annual Report on Treasury Management Activities for 2015/16 (and mid-year report)	David Northey	25			17			3	*					

Audit Committee Work Plan 2015/16

		2015							2016					
Item	Cabinet Member / Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Strategic Risk and Opportunity Management Register Monitoring Report	Cllrs Lowry and Peter Smith (Mike Hocking)				17						24			
Internal Audit Annual Plan	Cllrs Lowry and Peter Smith										24			
Internal Audit – Progress Report	Brenda Davis/ Dominic Measures/ Robert Hutchins				17									
Internal Audit – Follow Up Work	Brenda Davis/ Dominic Measures/ Robert Hutchins				17									
Audit Plan 2014/2015 – progress report	External Auditor Grant Thornton				17									
Audit Committee Update	External Auditor Grant Thornton							3			24			

Audit Committee Work Plan 2015/16

		2015							2016					
Item	Cabinet Member / Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Annual Report to Those Charged with Governance (ISA260 Report) 2014/2015 including Value for Money (VFM)	External Auditor Grant Thornton				17									
Annual Audit Letter 2014/2015	External Auditor Grant Thornton							3						
Certification Plan	External Auditor Grant Thornton				-									
Certification Work Report 2014/2015	External Auditor Grant Thornton							3						
Audit Plan 2015/2016	External Auditor Grant Thornton										24			
Audit Fee Letter 2016/2017	External Auditor Grant Thornton										24			

Audit Committee Work Plan 2015/16

Item	Cabinet Member / Lead Officer	2015							2016					
		J	J	A	S	O	N	D	J	F	M	A	M	J
Review of rolling workplan	Lead Officer/DSO	25			17			3			24			
Information Commissioners Audit	Mike Hocking				-						24			