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#plymaudit

## **Audit Committee**

Thursday 15 September 2016  
2pm  
Council House, Plymouth

**Members:**

Councillor Sam Leaves, Chair  
Councillor Parker-Delaz-Ajete, Vice Chair  
Councillors Sam Davey, Dr Mahony 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.

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**Tracey Lee**  
Chief Executive

# **Audit Committee**

## **Agenda**

### **1. To Note the Appointment of the Vice Chair**

The Committee will be asked to note the appointment of the Vice Chair for the municipal year 2016/17.

### **2. Apologies**

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

### **3. Declarations of Interest**

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

### **4. Minutes (Pages 1 - 10)**

To confirm the minutes of the meeting held on 30 June 2016.

### **5. Chair's Urgent Business**

To receive reports on business which, in the opinion of the Chair, should be brought forward for urgent consideration.

### **6. Statement of Accounts 2015/16 (Pages 11 - 142)**

The Committee will receive the Statement of Accounts 2015/16.

### **7. Treasury Management 'Brexit' Report (Pages 143 - 146)**

The Committee will receive a report on Treasury Management 'Brexit'.

### **8. Strategic Risk and Opportunity Register Monitoring Report (Pages 147 - 158)**

The Committee will receive the Strategic Risk and Opportunity Register Monitoring Report.

### **9. Internal Audit Progress Report (Pages 159 - 176)**

The Committee will receive the Internal Audit Progress report.

### **10. Internal Audit Follow Up Work (Pages 177 - 188)**

The Committee will receive a report on Internal Audit Follow Up Work.

**11. Annual Report to Those Charged with Governance (ISA 260) 2015/16 including Value for Money (Pages 189 - 224)**

The Committee will receive the Annual Report to those Charged with Governance (ISA 260) 2015/16 including Value for Money.

**12. Review of Work Programme 2016/17 (Pages 225 - 230)**

The Committee will review its rolling Work Programme for 2016/17.

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## Audit Committee

Thursday 30 June 2016

### PRESENT:

Councillor Sam Leaves, in the Chair.  
Councillor, Sam Davey, Vice Chair.  
Councillors Dr Mahony and Mrs Pengelly..

Independent Members: Mr Clark and Mr Stewart.

Apology for absence: Councillor Parker-Delaz-Ajete.

Also in attendance: John Finch (Information Governance Manager), Chris Flower (Lead Accountant for Capital and Treasury Management), Andrew Hardingham (Assistant Director for Finance), Carolyn Haynes (Acting Lead Accountant for Technical Finance), Matthew Hepenstal (BDO), Mike Hocking (Head of Assurance Services), Julie Hosking (Risk Management and Insurance Officer), Robert Hutchins (Devon Audit Partnership), Dominic Measures (Devon Audit Partnership) and Helen Wright (Democratic Support Officer).

The meeting started at 2.pm and finished at 4.30pm.

*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 Appointment of the Chair**

The committee noted the appointment of Councillor Sam Leaves as Chair for the forthcoming municipal year.

The committee agreed that Councillor Sam Davey is appointed as Vice Chair for this particular meeting.

The Chair took the opportunity to welcome Councillor Dr Mahony to this meeting of the committee.

#### 2. **Declarations of Interest**

Councillor Sam Leaves declared a personal interest as she was employed by NEW Devon CCG.

#### 3. **Minutes**

Agreed that the minutes of the meeting held on 24 March 2016 are confirmed as a correct record subject the correct spelling of 'Greg' Rubins.

4. **Chair's Urgent Business**

There were no items of Chair's urgent business.

**Order of Business**

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

5. **Annual Report on Treasury Management Activities for 2015/16**

Chris Flower (Lead Accountant) presented the annual report on Treasury Management Activities for 2015/16; the Council was required to formally report on its treasury management activities for the year and to agree the changes to its Treasury Management Strategy to comply with the Code of Practice for Treasury Management.

The report –

- (a) had been prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
- (b) confirmed capital financing, borrowing, debt rescheduling and investment transactions for the year 2015/16 and confirmed the borrowing limits for 2015/16 to 2017/18;
- (c) provided an update on the risk inherent in the portfolio and outlined actions taken by the authority during the year to minimise risk;
- (d) gave details of the outturn position on Treasury Management transactions in 2015/16;
- (e) confirmed compliance with treasury limits and Prudential Indicators (PIs) and outlined the final position on the PIs for next year.

The main areas of questioning from Members related to –

- (f) the method by which the private finance initiative for the energy from waste plant;
- (g) the impact that 'Brexit' would have on interest rates.

The committee agreed -

- (1) that Cabinet recommends the Treasury Management annual report (incorporating the authorised limits, operational boundaries for 2015/16 to 2017/18) to the Council for approval;
- (2) to refer the report to full council to note as required by the CIPFA Treasury Management Code of Practice;

- (3) to include a 'standing' agenda item on the impact of the United Kingdom leaving the European Union.

The committee noted the report.

### 6. **Internal Audit - Annual Audit Report 2015/16**

Robert Hutchins (Head of Devon Audit Partnership) presented the Internal Audit – annual report 2015/16. The report summarised the work undertaken during 2015/16, reviewed the performance and effectiveness of the Internal Audit service and provided an audit opinion on the adequacy of internal controls; the work had provided an objective and relevant assurance and contributed to the effectiveness and efficiency of the governance, risk management and internal process.

Members were informed that –

- (a) the reviews had made recommendations on and agreed management action for improvement in many areas to improve services, the key ones included -
  - redress for overpayments to domiciliary care providers which did not reflect actual provision;
  - support for the project to improve customer engagement (Firmstep Digital Platform);
  - effective governance arrangements of the Integrated Health and Wellbeing Board where the need to review existing Board structures was highlighted in order to better achieve goals and aims;
- (b) the committee was required to consider the assurance provided alongside that of the executive, corporate risk management and external assurance including that of the external auditor, as part of the Governance Framework.

The main areas of questioning from Members related to –

- (c) the cost effectiveness of budget cuts within Street Services which had resulted in a reduction in the grass cutting programme which had led to a significant increase in complaints;
- (d) the reduction in resources (particularly in housing benefits) and the challenge to improve performance;
- (e) the use of the word 'feel' in the assurance statement relating to the specific audits regarding ICT following the launch of Delt Shared Services Ltd and Public Health;
- (f) the Internal Auditor's opinion of 'improvement required' for one school (whether the same issues applied to other schools).

Andrew Hardingham (Assistant Director for Finance) undertook to liaise with Councillor Pengelly regarding the audit programme of work (minute 6 (c) refers).

The committee agreed that under Section 100A(4) of the Local Government Act 1972 to exclude the press and public from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

A brief discussion took place regarding an individual member of staff in relation to fraud prevention and detection.

*(The meeting moved back into Part I)*

The committee agreed –

- (1) to consider the following issues when signing the Annual Governance Statement -
  - the assurance statement;
  - the basis of the Internal Auditor's opinion and the completion of the audit work against the plan;
  - the scope and ability of audit to complete the audit work;
  - audit coverage and findings provided.

### 7. **Risk and Opportunity Management - Annual Report**

Mike Hocking (Head of Assurance) provided the risk and opportunity management annual report.

Members were informed that –

- (a) the report summarised the work carried out during 2015/16 to develop the Council's approach to risk and opportunity management which covered 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) the focus for 2016/17 included -
  - supporting the creation of a new Integrated Assurance Service which would result in risk management being formally aligned and working alongside other compliance functions to promote a joined-up approach to all aspects of governance;



- the delivery work packages outlined within the Finance Fit project;
- undertaking a CIPFA risk management benchmarking exercise;
- continuing to develop and promote the Council's approach to risk management through the Risk and Opportunity Management Strategy;
- continuing to support the Transformation Portfolio Board in monitoring the key risks to the delivery of the blueprint for the Transformation Programme;
- the continuation of developing risk management processes to provide assurance that risks were sufficiently managed relating to the joint risk register between the Council and NEW Devon CCG.

The main areas of questioning from Members related to –

- (c) the cost of appointing a consultant to provide project management and advice, in order to help achieve compliance for the transport operator licence;
- (d) the use of the risk management fund to replace lighting in the Guildhall.

The committee noted the annual report.

### 8. **Operational Risk and Opportunity Management - Update Report**

Mike Hocking (Head of Assurance) provided an update on the operational risk and opportunity management update which highlighted the following key areas -

- (a) the report supported 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 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 had reduced from 110 to 90, comprising of one high (red) risk, 53 medium (amber) risks and 36 low (green) risks;

- (e) partnership work being undertaken between the Council and NHS Northern, Eastern and Western Devon Clinical Commissioning Group to develop an integrated risk management framework and an integrated risk register.

The main areas of questioning from Members related to -

- (f) the delivery of Council services within the envelope of the resources provided in 2016/17 which had now been identified as a 'red' risk and the rationale behind the change in this risk as the budget for 2016/17 remained challenging;
- (g) staff and Members undertaking the risk management eLearning course which had been developed as part of the finance fit transformation work package.

The committee agreed that the risk management eLearning course should be promoted across the authority and that the number of individuals who had completed the course should be reported back to a future meeting.

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

#### 9. **Information Governance - Annual Report**

John Finch (Information Governance Manager) presented the Information Governance annual report.

Members were informed that the report provided a summary of the work that had been undertaken by the Information Lead Officers Group (ILOG) to improve governance principles across all directorates, in order to improve the Council's information asset.

The main area of questioning from Members related to the reasons why there had been an increase in the number of breaches.

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

The committee welcomed the fact that members of staff were confident in reporting minor breaches and requested that a communication was sent out to staff regarding the reporting of breaches on behalf of the committee.

#### 10. **Surveillance, Covert Activities and the Regulation of Investigatory Powers Act 2000 (RIPA)**

John Finch (Information Governance Manager) presented the surveillance, covert activities and the Regulation of Investigatory Powers Act 2000 (RIPA). The report highlighted the following key areas -

- (a) surveillance was a tool that may be required for the Council to fulfil its obligations to investigate crime, prevent disorder, recover debt, protect the public and establish the facts about situations for which it had responsibility;
- (b) in certain situations, it may be appropriate to undertake covert activities which resulted in individuals being monitored without their knowledge; (the use of covert activities compromised an individual's 'right to privacy', so the use of covert activity must be lawful, necessary and proportionate), in order to comply with the Human Rights Act.

The main areas of questioning from Members related to the –

- (c) retention period for records;
- (d) reasons behind the low level of judicial applications that had been made during 2014/15 (two in total).

John Finch (Information Governance Manager) undertook to –

- (e) ascertain the retention period for the records;
- (f) seek clarification to the low level of judicial applications relating to Trading Standards.

The committee –

- (1) acknowledged that covert activities could be a necessary and proportionate response for achieving the Council's objectives through approval for the Surveillance and Covert Activities Policy; which allowed covert activities to be deployed where necessary and proportionate, under the control of a good practice process based on the Regulation of Investigatory Powers Act requirements;
- (2) noted that the recent inspection by the Office of Surveillance Commissioners concerning use of Covert Surveillance and Covert Human Intelligence Sources (CHIS) demonstrated that staff had appropriately implemented those powers available under RIPA; the 2013 report by the Office of Surveillance Commissioners demonstrated that staff had appropriately implemented those powers available under RIPA to obtain Communications Data;

the Protection of Freedoms Act 2012 created a judicial approval process for all Local Authority RIPA applications; following internal authorisation the local authority would seek judicial approval for their RIPA authorisation; the authorisation would not come into effect unless or until it was approved by a JP;

further changes had been implemented by the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources)

(Amendment) Order 2012; local authorities would only authorise directed surveillance or CHIS under RIPA to prevent or detect criminal offences that were punishable, by a maximum term of at least six months imprisonment or are related to the underage sale of alcohol and tobacco;

the Data Retention and Investigatory Powers Act 2014 received Royal Assent on 17 July 2015; the Act ensured that critical capabilities to fight crime and protect the public were maintained and clarified the existing law without extending current powers;

the Act introduces additional safeguards for the use of Investigatory Powers to respond to criticisms raised by the European Court of Justice; under the new measures certain public bodies lost the right to acquire communications data under RIPA; local authorities including Plymouth City Council had retained their powers but were required to use the National Anti-Fraud Network (NAFN) to assess communication data applications;

- (3) would ensure that the recommendations in the report were fully implemented.

#### 11. **Statement of Accounts 2015/16**

Andrew Hardingham (Assistant Director for Finance) advised the committee that due to an administrative error the Annual Governance Statement 2015/16 had not been published with the Statement of Accounts 2015/16 but that these reports needed to be considered together.

Carolyn Haynes (Acting Lead Accountant for Technical Finance) and Mike Hocking (Head of Assurance Services) presented the Statement of Accounts 2015/16 together with the Annual Governance Statement 2015/16.

Members were informed that –

- (a) the report outlined the timetable and key issues in relation to the production of the statutory form of account, the 'Statement of Accounts' which the Council was required to produce for audit and publication and reports on progress towards the requirement to prepare the pre-audited accounts by 30 June 2016;
- (b) the Accounts and Audit Regulations required that the accounts were available for inspection for six weeks which commenced on 30 June 2016;
- (c) the report also detailed progress towards completion of the action plan agreed to implement the recommendations made by the auditor following the completion of 2013/14 audit;
- (d) the purpose of the Annual Governance Statement 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 action being taken or planned to address any key weaknesses

identified;

- (e) the Accounts and Audit (Amendment) (England) Regulations 2006 also introduced an annual review of the effectiveness of the internal audit system;
- (f) the 2011/12 Code of Practice on Local Authority Accounting also required that, within the Annual Governance Statement, there should be a statement on whether the Authority's financial management arrangements confirm with the governance requirements of CIPFA Statement on the Role of Chief Financial Officer in Local Government;
- (g) the report outlined the process followed in order to produce the Annual Governance Statement.

The main areas of questioning from Members related to the level of resources available to complete the accounts within the restricted deadline and concerns that the level of expertise within the department had been reduced due to staff changes.

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

- (1) to endorse the adequacy and effectiveness of the internal audit system;
- (2) to approve the Annual Governance Statement prior to signature by the Leader, Chief Executive and Assistant Director for Finance (Section 151 Officer);
- (3) that the Annual Governance Statement 2015/16 will be an agenda item for the September 2016 meeting ahead of the publication of the final Statement of Accounts.

The committee noted the report and the authorised for issue date (1 June 2016) for the draft Statement of Accounts.

The Chair, on behalf of the committee, took the opportunity to thank members of staff for their work in providing the Statement of Accounts 2015/16 by the deadline.

## 12. **External Audit Progress Report**

Matthew Hepenstal (BDO) presented the external audit progress report which provided an update on the audit work for 2016/17. The following key points were highlighted –

- (a) the auditor's principal objectives were to review and report on, under the relevant legislative requirements of the Code of Audit Practice for Local Government for the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources;
- (b) the requirement to certify specified grant claims and return (as directed

by Public Sector Audit Appointments Ltd);

- (c) the need to assess whether the arrangements put in place by the Council would allow the auditor to complete the work by the expected deadline and whether there were any issues that were likely to have a significant impact on the auditor's ability to provide unmodified audit reports and opinions.

The committee noted the progress of the external auditor's work.

13. **External Audit Planning Letter 2016/17**

Matthew Hepenstal (BDO) presented the external audit planning letter 2016/17 which set out the planned work for 2016/17. The report highlighted the following key areas –

- (a) the issue of the planned reports and opinions during 2016/17;
- (b) the proposed fees and programme of work for 2016/17 which included the following -
  - code audit fee;
  - certification of housing benefits subsidy claim;
  - audit related services;
  - other non-audit services;
  - amendments to the proposed fees;
  - Arrangements from 2017/18.

The committee noted the report.

14. **Review of Rolling Work Plan 2016/17**

The committee considered and noted its rolling work programme 2016/17 with the following amendments –

- the inclusion of a standing agenda item relating to the impact of leaving the European Union;
- the date of the September meeting being changed from 8<sup>th</sup> to 15<sup>th</sup>.

**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Statement of Accounts 2015/16
<b>Committee:</b>	Audit Committee
<b>Date:</b>	15 September 2016
<b>Cabinet Member:</b>	Councillor Ian Darcy
<b>CMT Member:</b>	Andrew Hardingham (Assistant Director for Finance)
<b>Author:</b>	Carolyn Haynes (Lead Accountant, Finance Department – Technical)
<b>Contact details</b>	Tel: 01752 398927 Email: carolyn.haynes@plymouth.gov.uk
<b>Ref:</b>	FIN/CH
<b>Key Decision:</b>	No
<b>Part:</b>	I

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**Purpose of the report:**

The Council's draft Statutory Statement of Accounts for year ending 31 March 2016 was prepared and approved ready for our external auditors by the Assistant Director for Finance on 30 June 2016.

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 on or before 30 September 2016.

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 2015/16 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 Committee are also asked to approve the Annual Governance Statement for 2015/16.

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**The Corporate Plan 2013/14 – 2016/17:**

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

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

The 2015/16 final accounts will have implications on the Medium Term Financial Plan. The level of Working Balance and reserves will affect the level of funding available in future years and variations in service expenditure will also need to be reviewed to assess the effects on future years.

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

N/A

**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? Not for this report as this is a statement of actual spend rather than new allocations which could impact on equality and/or diversity.

**Recommendations and Reasons for recommended action:**

That the Audit Committee:

1. Note the amendments made to the Statement of Accounts for 2015/16 as agreed with the Auditor, and outlined in this report.
2. Approve The Statement of Accounts for 2015/16 as attached at Appendix A.
3. Approve the Annual Governance Statement for 2015/16 as attached at Appendix B.
4. The Letter of Representation attached at Appendix C 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 2015/16 Report to June 2016 Audit Committee](#)
- [Draft \(Pre Audit\) Statement of Accounts 2015/16](#)
- [Annual Governance Statement 2015/16](#)
- [2015/16 Financial Outturn Report](#)

**Background papers:**

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

**Sign off:**

Fin	AKH 1617. 25	Leg	DVS 26377	Mon Off	DVS 26377	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 2015/16

### 1. Introduction

- 1.1 The draft Statement of Accounts 2015/16 was approved by the Assistant Director for Finance on 30 June 2016. The formal audit commenced on 13 June 2016. 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 2016. For Plymouth, this responsibility has been delegated to the Audit Committee.
- 1.2 The Statement of Accounts for 2015/16 is attached at Appendix A.
- 1.3 The Annual Governance Statement for 2015/16 is attached at Appendix B. This was considered by Members at the 30 June Audit Committee alongside the Statement of Accounts and this is now being recommended for formal approval.
- 1.4 The Council is also required to identify and report on any post balance sheet events that have occurred since 31 March 2016. The Statement of Accounts should therefore include all relevant post balance sheet events up to and including the 15 September 2016.
- 1.5 As part of the final audit requirement, and prior to the issue of the audit certificate, the Council is required to complete and sign a formal letter of representation and submit this to the auditor. This letter may be signed by the Assistant Director for Finance and the Chair of Audit Committee and is attached at Appendix B.
- 1.6 The Accounts have been produced in line with the relevant CIPFA Codes of Practice for 2015/16. 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 2015/16 (The Code).
- 1.7 This is the first year of having BDO as the Authority's external auditors and the Council Officers would like to express their thanks to BDO and the Audit staff for their help and assistance in finalising the Council's Statement of Accounts.

### 2. The 2015/16 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:-
  - 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (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 key changes to the code include:
  - a) The Explanatory Foreword has been replaced by the requirement to provide a Narrative Report to accompany the financial statements. The Narrative Report

should explain the more significant features of the accounts and it should be based on the information contained in the Statement of Accounts. Local Authorities should ensure that the Narrative Statement does not contain material inaccuracies or misleading statements in relation to the Statement of Accounts.

- b) The concept of fair value is used throughout the Code. International Financial Reporting Standards now have a consistent definition of fair value introduced by IFRS 13 Fair Value Measurement. The measurement and disclosure requirements of the code have been applied to the Statement of Accounts for 2015/16.

### **3. Issues arising since publication of the 2015/16 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 2015/16 and Balance Sheet position as at 31 March 2016, the Council is required to report material events occurring after 31 March 2016.

3.2.2 A post Balance Sheet event disclosure note has been added to reflect the result of the referendum on the UK to leave the European Union.

#### **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 2015/16 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 The Comprehensive Income and Expenditure Statement and note 17.6 on the Revaluation Reserve have been adjusted. This is a capital adjustment on the revaluation of non-current assets from a deficit of £24 million to a surplus of £30 million. The original outturn position of £40 million presented to Members on the 30 June is unchanged. However, the total figure reported has been adjusted by approximately £57 million from a deficit of £3 million to a surplus figure of £54 million.

- 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. Details of all the changes are set out in Appendix D

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

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 2016/17 Statement of Accounts**

4.1 Officers are looking forward to working again with BDO our External Auditors.

4.2 There are some challenging changes to the Code of Practice in 2016/17 and we will work with the auditors to incorporate these changes into the Statement of Accounts for 2016/17.

- 4.3 The 2016/17 edition of the Code introduces new, or amended, accounting standards or reporting requirements in a number of areas including:
- The introduction of a new section specifying the revised measurement requirements at Depreciated Replacement Cost for the Highways Network Asset.
  - New formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.
  - Amendments to the Accounting and Reporting by Pension Funds section of the Code, following its review by CIPFA/LASAAC.
- 4.4 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 2016/17 or future years' accounts. Current developments include consultation documents and / or new publications on the following topics:-
- Transport Infrastructure Assets
  - The Group Accounts Standards
  - Code of Practice on Local Authority Accounting in the United Kingdom 2016/17
  - Financial Statements: A Good Practice Guide for Local Authorities
- 4.5 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 2016/17 Accounts.
- 4.6 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.
- 4.7 Officers will be working closely with BDO to plan for the 2016/17 audit and would like to undertake the interim audit as early as possible in January 2017. This will enable much of the audit testing work to be completed prior to the main year-end audit.
- 4.8 This was our first year working with BDO and there have been challenges on both sides.
- 4.9 As senior finance managers we accept there were changes to staffing which were beyond our control and left no time for us to react in terms of replacements. We have a small but dedicated team of staff who are focused on ensuring that we continue to improve both the timeliness and quality of the work undertaken.
- 4.10 With hindsight we could have improved our communications with senior BDO staff.
- 4.11 On BDO's side, we would observe that working remotely for the first week of the audit did not work for either party, causing unnecessary additional workloads. We also note that changes to the senior lead auditor were not communicated to us, leading to a lack of clarity on our part.
- 4.12 We have also discussed our disappointment that more testing, particularly around prior year numbers and legacy assets, was not carried out during the interim audit.
- 4.13 BDO were appointed as our external auditors early during 2015 and during the lead up to the final accounts audit had developed a good engagement and a good working relationship however for the aforementioned reasons this did not prevent the frustrations experienced by both teams during the final audit process.
- 4.14 Lessons have been learnt by both teams and we are confident that year two will run much more smoothly.

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**2015/16 STATEMENT OF ACCOUNTS**



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## Narrative Statement for the Statement of Accounts 2015/16

### Introduction and Background

Plymouth City Council is a unitary local authority responsible for all local services including transport, social care and education. Plymouth is the largest port city on the South coast with a resident population of 261,000 plus 100,000 transient workforce in the travel to work area. It is home to the largest naval base in Western Europe, HMNB Devonport and has the highest concentration of manufacturing and engineering employment in the whole of the South of England. 20% of the UK's blue - tech/marine companies are based here. The Council's vision for Plymouth is to become one of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone.



The Council plans to increase its resident population to 300,000 by 2018. This will put additional pressure on refuse collection, street cleaning, schooling and social care, both children's and adults'. Plymouth's growth is core to the corporate agenda. Council-owned land has been released for building new homes together with associated additional shopping and outdoor recreational facilities. The Council is committed to improved schooling and also in the longer term to improve Plymouth's road, rail and air transport links whilst reducing carbon emissions by 50%. The first phase of the Council's regeneration programme of the city centre, the waterfront, and the Northern and Eastern Corridor is well under way.

In very difficult financial circumstances we continue to retain and improve our core services. For example during 2015/16 we:

- Collected glass for recycling from homes across Plymouth every fortnight
- Maintained our roads; 23,342 potholes and 220,962 sq m of road were repaired last year
- Attracted 740,000 people to our Libraries
- Served up 2.5m nutritious school meals through our co-operative trading company
- Prevented more than 1,242 families from becoming homeless
- Worked with more than 5,500 children in need



The scale of the reduction in government funding over the years and the magnitude of the financial challenges facing the Council has meant that we have had to radically rethink the way we work and deliver services. We believe that we can do this by:

- taking a more commercial approach to the way we commission and run services
- making the best use of council assets
- investing in and accelerating Plymouth's economic growth,

we will also reduce cost and generate additional income from business rates with the net benefit of £23m to be realised in 2016/17.

### Financial Performance



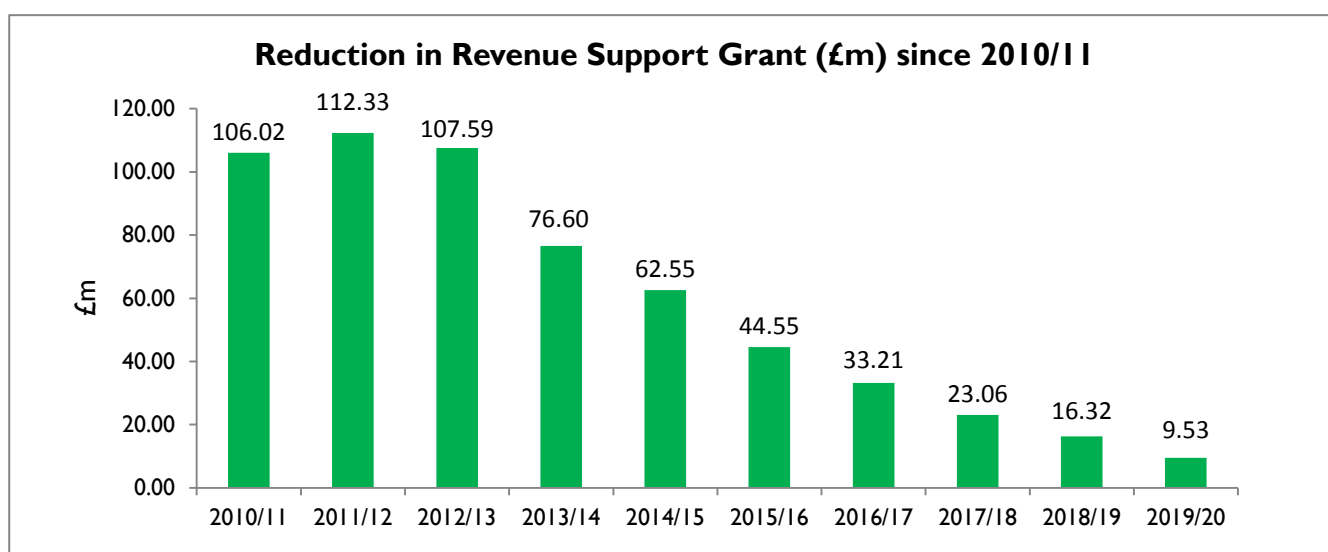
I welcome this opportunity to report the Council's financial performance for 2015/16. My narrative report is not formally part of the annual Statement of Accounts. It is not covered by the audit opinion or my official certification but does supplement the Statement of Accounts by offering interested parties an easily understandable guide to the most significant matters reported in the accounts. The production of this report marks my first year at Plymouth City Council, having started at the end of May 2015. This narrative brings together information from various key documents which have been published throughout the year. The Statement of Accounts, taken as a



whole, provides a comprehensive and informative stakeholder guide to establishing the Council's financial position and its net worth. In this document the Council demonstrates that it has a secure and sustainable financial standing. It has fulfilled its stewardship function for all of the public money entrusted to it in a cost effective and appropriate manner.

Since 2010, revenue funding for local government has been continually reducing and will continue to reduce for the foreseeable future, changing the make-up of the core funding as we go forward. Funding will change with government

- placing greater emphasis on councils generating additional revenue locally by attracting more businesses to the city and building more homes
- moving to 100% rates retention by 2019/20
- Introducing the Adult Social Care 2% council tax precept.



There was a drop of £18m in central government funding in 2015/16. The Council remains committed to protecting and investing in essential front line services aimed at early intervention, tackling the city's health inequalities and integrating social care with health. We are working with our partners to take a joined up preventative approach to improving the health of our residents and hence reduce demand for high cost services. Plymouth's approach to integrated health and social care service, with a clear focus on preventative and enabling services, wrapped around the combined needs of the client, is believed to be the first of its kind in the country.

The overall outturn position is a saving of £0.032m against our gross budget of £534.639m. This is testament to the strong financial management and discipline across all areas of the Council. This puts the Council in a very strong position going into the even more financially challenging 2016/17.

Given the size of the financial challenge faced for 2015/16, with a total savings target of £21.5m, balancing the budget is a major achievement for the Council. Balancing the budget without the need for a major drawdown against our financial reserves provides us with a strong foundation to address the challenges ahead.

### OUTTURN POSITION 2015/16 – A SUMMARY

The Council's budget outturn position and [Annual Report 2015/16](#) can be accessed by clicking the web links. These reports explain how the Council's priorities have been delivered over 2015/16 and also its plans for 2016/17.

The Council operated in 2015/16 with a net budget requirement of £193.009m.

The table below summarises by Directorate the budget outturn position as compared against the net budget requirement:

Directorate	Note Ref. No.	Budget 2015/16	Budget Outturn	Year End Overspend / (underspend)
		£m	£m	£m
People	<u>1</u>	123.233	123.393	0.160
Place	<u>2</u>	23.923	24.260	0.337
Office of Director of Public Health	<u>3</u>	1.007	0.689	(0.318)
Transformation & Change	<u>4</u>	33.074	35.496	2.422
Chief Executive's Office	<u>5</u>	3.899	3.953	0.054
Corporate Items	<u>6</u>	7.873	5.186	(2.687)
<b>Total</b>		<b>193.009</b>	<b>192.977</b>	<b>(0.032)</b>
Funded by:				
Council Tax		90.410		
Business Rates Retained		58.049		
Central Government Grant Settlement		44.550		
<b>Total</b>		<b>193.009</b>		

In 2015/16 we have been able to use one-off savings from our revised Minimum Revenue Provision (MRP) policy, and this is the first year of our pioneering Section 75 Agreement with the NHS Northern, Eastern, Western Clinical Commissioning Group (N.E.W. CCG). Working with our health partners and our revised budget setting process which reflects both cost and volume pressures for our social care budgets, 2015/16 is the first year we have recorded an underspend for our Adult Social Care provision in the past six years. 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 lifestyles 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.

There are risks with any budget, particularly given the scale of the funding reductions. However, 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.

### Budget Outturn Variance Analysis

You can see from the table above that overall there was a slight net underspend of £0.032m. Directorate variances are explained in note ref no. 1 to 6 as follows:

#### I. The People Directorate net overspend of £0.160m was as a result of:

- a) £0.652m additional costs related to placement pressures on the Children, Young People and Families' budget. There have been a number of factors that have contributed to this position including:
  - i. a lack of availability of the right in-house foster care placements creating overuse of IFA's;
  - ii. high number of placements in Welfare Secure, with 5 placements in year;
  - iii. unexpected court ordered spends on Parent and Child Assessment placements;
  - iv. a small number of individual packages of care at considerably higher cost due to the needs of the young person;

- v. there are currently 105 Independent Foster Care (IFA's) placements with budget for only 68.

This is offset by:

- b) £0.470m net favourable variance in Strategic Co-operative Commissioning. This is the first favourable outturn for six years and management actions to contain spend included measures around sign off of spend by Senior Management before approving care packages, reviewing contracts and a further review of high cost packages. Given the closedown timetable, both PCC and N.E.W. CCG agreed to formalise the financial position for the Plymouth Integrated Fund as at February 2016. We have therefore closed the books with the risk share for 2015/16 being a transfer to PCC of £0.089m. With the month 12 figures now available the final position is a risk share of £0.039m with the movement to be reflected in next year's accounts.
- 2. The Place Directorate** net overspend of £0.337m was as a result of
- a) £1.0m in year under achievement of various GAME income targets including £0.300m commercialisation projects and £0.420m passenger transport.
  - b) £0.174m net savings in Street services resulting from highways maintenance linked to a mild winter and savings in waste disposal costs offset by increased costs created by the re-procurement of the highways maintenance contract.
  - c) Throughout the year Strategic Planning and Infrastructure (SPI) has taken a proactive approach to budget management. Of the overall saving of £0.476m, £0.325m relates to concessionary fares, which are affected by a variety of issues beyond direct control with the overall position only becoming clearer near year end.
- 3. The Office of Director of Public Health** ended the year with an overall underspend of £0.318m. Although Public Health came in as a balanced budget within the ring fenced grant, the directorate also covers the Public Protection Service which underspent by £0.297m due to a mixture of additional income and deferred spending on IT and other equipment, and the Civil Protection Unit had an underspend of £0.021m
- 4. The Transformation and Change Directorate** has a range of service areas reporting an underspend mainly as a result of an Enhanced Voluntary Release Scheme being offered and completing service reviews across the Directorate. Despite this the overall position is showing an overspend of £2.422m; this is predominately due to:
- a) the review of the Delt contract that took place in November 2015 which resulted in additional funds of £1.400m being allocated to ensure that the Council's IT requirements are resourced at the appropriate level going forward.
  - b) Legacy delays in Cooperative Centre of Operations (CCO) projects, now merged with People and Organisational Development (POD), have had an impact on benefits achievable in year.
  - c) Additional Delt income from new customers has been shown to be unrealistic in terms of timescale and quantity. However, in many areas we have been able to offset the savings shortfalls with one off in-year savings such as vacancy savings and additional income.
  - d) The Customer Services Transformation (CST) programme achieved in full its benefits target of £1.356m.
  - e) The Transformation Programme contributed a saving of £0.577m. During the year we were able to reduce our requirement for external consultants due to increased internal knowledge; this together with other staff savings, such as unfilled vacancies, contributed to this overall saving.

- 5. The Executive Office** overspend of £0.054m relates to underachievement of Democracy and Governance support efficiency stretch targets of £0.225m which were offset by certain management action to reduce the shortfall.
- 6. The Corporate Items** line reports £2.687m under its net budget requirement. This variance related to the potential for the Council to:
- a) Drawdown £1.0m from its insurance reserve and
  - b) Allocate £1.0m from its general contingency budget to offset its adverse variance of £0.285m underachievement of the council wide cross cutting savings target and £0.270m linked to a strategic asset review.
  - c) A review of the Minimum Revenue Provision Policy resulted in £5.964m savings through recouping prior year overly prudent provision and changing to the annuity method of calculation. In addition to this, there were other savings within Treasury Management of £0.762m due to a reduction in interest costs through improved cash management resulting in reduced borrowing, and further investment in the CCLA Property Fund.
  - d) Redundancies and Enhanced Voluntary Release Scheme costs in 2015/16 were met by £0.700m from the Redundancies Reserve; but a further £0.764m remained unfunded.
  - e) £0.500m was released from Pensions Reserve to meet the year-end pensions shortfall, but we have been able to replace £0.400m of this as part of the transfers to reserves detailed below.
  - f) Other adverse movements on the Corporate Items budget included £0.472m relating to changes in structure and staffing levels and the subsequent reduction in internal recharges, £0.470m impact of reduced trading activity on recharges, £0.100m shortfall on the forecast income from the Devon Business Rates Pool and £0.294m shortfall on corporate efficiency savings.
  - g) In addition to the above, the transfers to and from reserves and provisions to be approved in the outturn report reduce the Corporate Items outturn by £2.880m.

As in 2014/15, where we recorded a small overspend of £0.119m, we again came very close to balancing the books in 2015/16 with an underspend of £0.032m.

## OUTTURN POSITION 2015/16

There are a few particular areas to note within the overall outturn position 2015/16.

This is the first year of our pioneering Section 75 Agreement with the NHS Northern, Eastern, Western Devon Clinical Commissioning Group (N.E.W. Devon CCG). Working with our health partners and our revised budget setting process which reflects both cost and volume pressures for our social care budgets, 2015/16 is the first year we have recorded an underspend for our Adult Social Care provision in the past six years. Although our Children's Social Care came in £0.652m over budget, this represents a small variance of 2% against the allocated £34.686m.

Whilst our public health department is 100% grant funded, the Office of the Director of Public Health in Plymouth is also responsible for Public Protection Services and Civil Protection Unit. Both of these departments recorded savings against budget, totalling £0.318m.

For 2015/16 we have been able to use substantial savings from our revised Treasury Management Strategy, in particular our Minimum Revenue Provision (MRP).

There has been a recent change of advice from CIPFA on MRP calculations and the use of the annuity method. Prior years involved detailed calculations which were very prescriptive but these have been replaced with a requirement that local authorities calculate an amount of MRP which they consider to be prudent. During 2015/16 the Council has undertaken a review of its MRP calculation method and

accounting assumptions which used a very complex methodology. The Council therefore engaged its TM advisors, Arlingclose, to review and advise best practice. The main conclusions were that, the way we were calculating our annual MRP charge has resulted in an over-provision for many years and it also recommended a change in the calculation method.

The previous method of calculating MRP was to spread the cost of borrowing in a straight line over a maximum of 25 years. The Council wants to match the economic benefits from its assets with the life of those assets and will now use the annuity method which not only spreads the cost of the borrowing over the life of the assets but it also takes into account the time value of money. The resulting change from the over provision of MRP in prior years led to a reduction of the MRP charge in 2015/16 by £5.96m. The change of calculation method to the annuity method will also reduce the MRP charge for 2016/17 by a further £4.70m.

	31 March 2015	Outturn	31 March 2016
	£m	£m	£m
Working Balance	10.620	0.032	10.652

The £0.032m underspend has been transferred to the General Fund Working Balance. The balance at the

start of the year was £10.620m; after taking into account the final surplus for the year of £0.032m the working balance to carry forward as of 31 March 2016 stands at £10.652m.

### Other Financial Performance

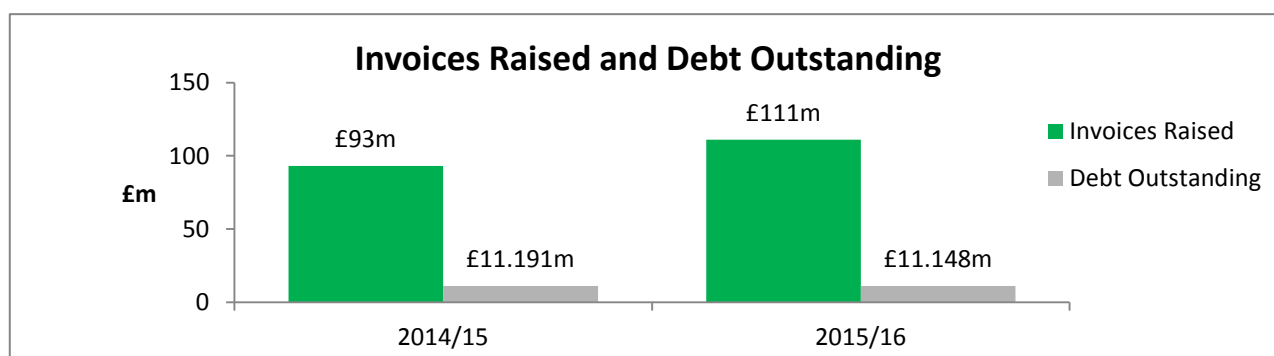
In addition to the minimal variance against the revenue budget there were a range of other significant financial achievements. In-year collection targets are set for our Council Tax, Business Rates, Commercial Rent, and Sundry Debt Income including our Trade Waste Income. The 2015/16 revenue budget was based on the achievement of the required targets.

We continue to increase our collection rates in core income streams and explore alternative ways of making further improvements. For example, in-year Council Tax collection rate has increased steadily from 92.5% in 2009/10 to our actual 96.8% in-year 2015/16.

Some Key Indicators are:

- The Miscellaneous Debt Management Team raised invoices to the total value of £111m in 2015/16 compared with £93m in 2014/15.

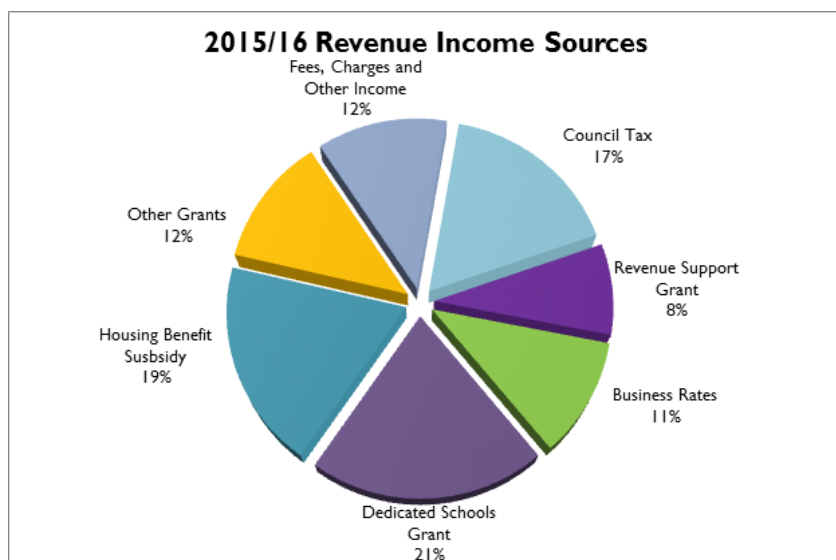
At the end of 2015/16 the debt outstanding was £11.148m compared to the debt outstanding of £11.191m in the previous year. £20m more was billed and collected, with arrears reduced by 15%.



- the value of invoices over 30 days old has reduced from £4.1m in 2014/15 to £3.5m in 2015/16
- 96.4% of our general debt was collected in year against a target of 95%. The UK average for 14/15 was 88% collected in 90 days. Plymouth collected 96.4% in 30 days.
- 97.1% of all invoices were paid within 30 days against a target of 95%
- 98.6% of NNDR collected against a target of 95.0%
- VAT partial exemption at 3.95% (14/15 = 4.37%)
- 53% of spend with PL post codes, against a target of 52% (14/15 = 48%)

## 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 2015/16 revenue budget was financed:-

The Council set a band D Council Tax for the year of £1,320.58 for the Authority's element of Council Tax, at its meeting of 23 February 2015.

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

We monitor the expenditure of the Council across three Directorates, being People, Place and Transformation & Change (incorporating Finance, HR, Legal services etc) with a small Chief Executive's Office and council-wide areas covered within our Corporate Items plus the Office of the Director of Public Health.

The total spend of £192.977m is shown by department within each directorate in the following table:

<b>People Directorate</b>	<b>£m</b>	<b>Place Directorate</b>	<b>£m</b>
Children's Social Care	35.338	Economic Development	0.491
Co-operative Commissioning & Adult Social Care	70.265	Strategic Planning & Infrastructure	9.405
Education, Learning & Family Support	15.309	Street Services	17.653
Homes & Communities	2.275	Management & Support	(3.289)
Management & Support	0.206		
<b>Total</b>	<b>123.393</b>	<b>Total</b>	<b>24.260</b>
<b>Transformation &amp; Change Directorate</b>	<b>£m</b>	<b>Corporate Items</b>	<b>£m</b>
Finance	16.334	Capital Financing	3.170
Human Resources & Occupational Development	2.391	Other Corporate Items	2.016
Legal	2.944	<b>Total</b>	<b>5.186</b>
Customer Services	2.879	<b>Chief Executive's Office</b>	<b>£m</b>
Management & Support	0.162	<b>Total</b>	<b>3.953</b>
Transformation Programme	4.528	<b>Office of Director of Public Health</b>	<b>£m</b>
ICT	6.258	<b>Total</b>	<b>0.689</b>
<b>Total</b>	<b>35.496</b>	<b>Total Council</b>	<b>192.977</b>

## CAPITAL OUTTURN 2015/16

Capital expenditure generally relates to the creation of non-current 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	Forecast October 2015	Outturn	Year End Overspend / (underspend)
	£m	£m	£m
Transformation and Change	12.180	7.814	(4.366)
People	19.507	17.930	(1.577)
Place	45.293	36.480	(8.813)
<b>Total</b>	<b>76.980</b>	<b>62.224</b>	<b>(14.756)</b>

The Council has an ambitious capital investment plan, designed to improve the City's infrastructure, economy and housing. For 2015/16 capital expenditure totalled £62.224m, representing 81% of the latest approved budget of £76.980m.

The 2015/16 £62.224m programme outturn has enabled investment in some notable schemes, including:

Capital Scheme	£m	Capital Scheme	£m
Basic Need improvements to local schools	9.6	Upgrade of the Material Recycling Facility	1.8
Carriageway resurfacing	7.8	New Central Library	1.5
Towards the cost of acquisition and redevelopment of the former Quality Hotel site	4.3	Progress on development of a new Coach Station at Mayflower West, to enable the redevelopment of a leisure complex at the existing Bretonside Bus Station site	1.4
Accommodation transformation, including the separation of the Council House and Guildhall	4.0	Green Deal grant awards to Plymouth private households for solid wall insulation	1.3
To commence major infrastructure projects to support growth along the Northern Corridor	3.7	Complete the construction of the Langage employment units	1.3
Knowle Primary school rebuild	3.3	On-going replacement of street lighting to provide energy and carbon savings	2.1
To enable the redevelopment of South Yard as a Marine Industries Production Campus	3.0	Dilapidated fleet replacements ensuring reliability and effectiveness for service delivery	2.2

The year-end position includes £15m of re-profiling of schemes into 2016/17. This is spend which was scheduled to be delivered in 2015/16, but is now forecast to be delivered during 2016/17. The most significant projects being re-profiled are:

- The delivery of the Mayflower Coach Station project was delayed in 2015/16 due to contract negotiations, changes in design (value engineering process) and a Member request to keep the temporary Mayflower West Car Park open over Christmas. £1.427m of un-ring-fenced funded spend was incurred in 2015/16 compared to the £2.503m as cash-flowed for 2015/16 delivery in October 2015. This project will complete in summer 2016/17, at a total scheme cost of **£4.856m. (£1.1m)**
- At the time of the approval of the acquisition of the Quality Hotel site in January 2016, it was expected that demolition would be undertaken upon completion of the purchase in early 2016.

Demolition works were, however, delayed into 2016/17 when asbestos was discovered. These borrowing funded costs are now being incurred on-site, with an estimated completion date of September 2016. **(£1.1m)**

- £4.715m of the total £7.990m Street Lighting LED replacement programme had already been delivered pre 2015/16. A further £3.125m of spend was scheduled to be delivered in 2015/16, as at October 2015. However, following a supplier issue, which has now been resolved, a reduced value of £2.065m was delivered in 2015/16. The programme is due to finish as scheduled in 2017, fully funded from service area funded borrowing. **(£1.1m)**
- As at October 2015, £2.601m of vehicles were expected to be ordered to meet 2015/16 PCC service client requirements. The actual value of vehicles delivered was £1.865m for 12 refuse trucks and a camera car. The ordering of £0.900m of planned vehicles including tippers, vans and loaders has been delayed into 2016/17 to enable a review that will ensure that vehicles ordered continue to meet the requirements of the end users. This project is fully funded from service area borrowing. **(£0.9m)**
- PCC have agreed to provide £2.903m of HCA ring-fenced dowry and S106 to support the £4m redevelopment by R.I.O (Real Ideas Organisation) of Devonport Market as a High Tech 'Play Market'. As at October 2015, it was anticipated that R.I.O would reach milestones that would result in the payment of £0.836m in 2015/16. However, as the planning application stage was not reached in 2015/16 as expected, only £0.144m was paid. The main reason for this is that the legal negotiations over the funding agreement and the lease took longer to conclude than anticipated. **(£0.7m)**
- On site works began in February 2016 to deliver the £2.24m Derriford Hospital Interchange transport project. As at October 2015, it was reported that £1.499m would be incurred in 2015/16. However, additional time was involved than first envisaged in procuring a contractor for the construction of the scheme; financial negotiations caused further project delay and there was a need to secure agreement for the final tree clearance details which restricted the progression of the start of the main works. This resulted in £0.830m of works actually being delivered. Grant funders have confirmed that 2015/16 funding will be rolled over to support 2016/17 spend. Works are currently scheduled to complete in October 2016. **(£0.7m)**
- As at October 2015, the programme 2015 - 19 contained £20.500m to support the redevelopment of South Yard into a Marine Industries Production Campus. This was initially programmed to meet £15m of remediation/separation works and £5.500m for direct development of Area East. £1.600m of un-ring-fenced funded remediation works were planned for delivery in 2015/16. However, consideration and approval in April 2016 of a revised overall delivery strategy for the South Yard site concluded that £2.100m of resources should be vired for prioritised use on the Area East Development phase. This resulted in a delay in 2015/16 of the remediation works of £0.700m. Further demolition and site services works will now most likely commence from October 2016. **(£0.7m)**
- Design and advanced works commenced in 2015/16 for Outland Road Phase I of the £3.392m Northern Corridor Junction Improvements, which are planned for 2015-20. At the time of approval (December 2015) it was anticipated that 2015/16 spend would be £0.7m. However, a change in the scope of the scheme has resulted in additional time being required for design and costing, resulting in slippage of £0.6m into 2016/17. Authority has been secured to roll the Growth Deal grant of £700k into 2016/17. Main works for phase I are currently scheduled for delivery in July – December 2016. **(£0.6m)**
- £0.071m of the total £0.862m of S106 funded highways for the Millbay School of Creative Arts had already been delivered pre 2015/16. A further £0.791m of spend was scheduled to be delivered in 2015/16, as at October 2015. However, these planned works were later slipped into 2016/17 due to Phase 3-5 delivery being delayed at Councillors request. Works incomplete relate to street lighting, 20mph zone and traffic management works. **(£0.6m)**



- £0.940m of un-ring-fenced resources were expected to be required to meet 2015/16 costs for the delivery of the Whiteleigh HQ for the Four Greens Community Trust. Due to project delays arising from later than anticipated tenders resulted in the re-profiling of £0.5m into 2016/17. The total scheme cost of £1.275m is due to be financially complete in 2016/17. (**£0.5m**)

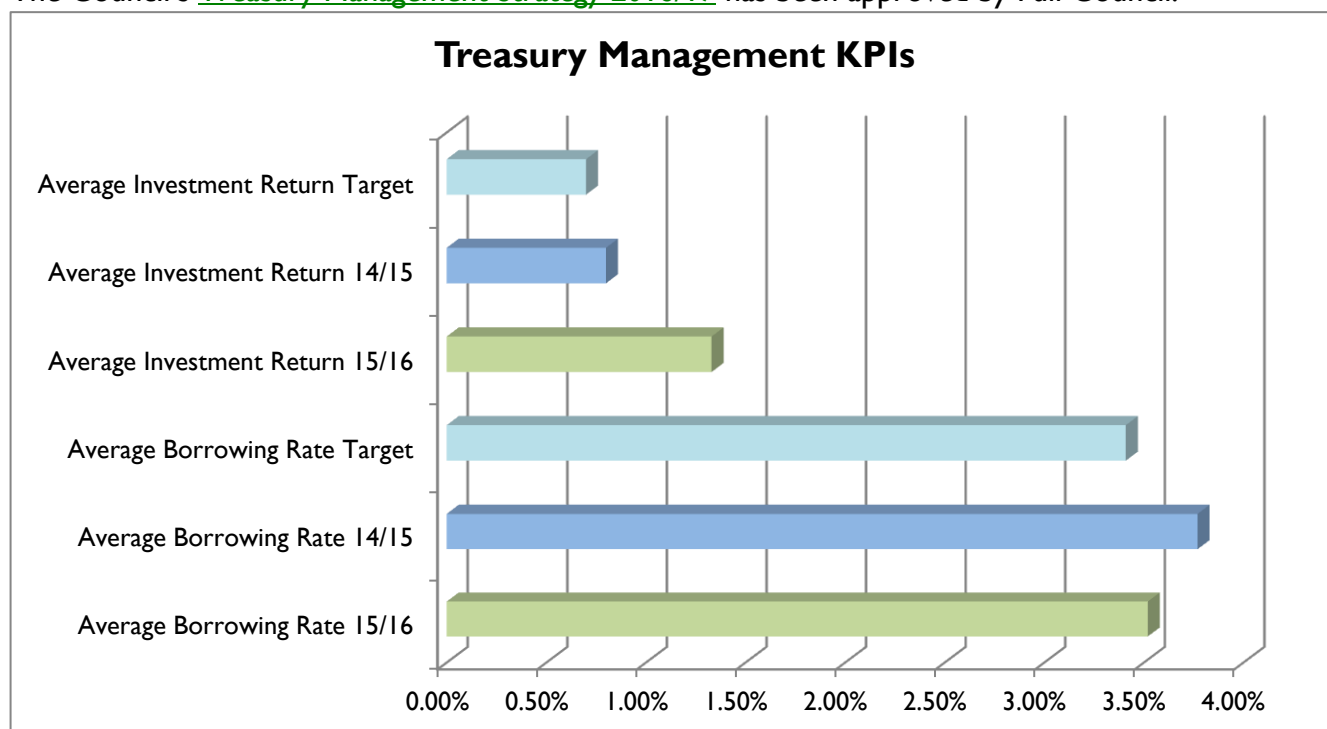
The main sources of capital grant funding are: Lottery Grant, Department for Education and Skills, Department for Transport Section 56, Department for Communities and Local Government (DCLG) (including Disabled Facilities grant) and Section 106 developer's contributions. The 2015/16 programme was fully funded:

Method of Financing	Un-ring Fenced	Ring Fenced	Total
	£m	£m	£m
Capital Receipts	10.533	0.149	10.682
Grants (e.g. gov't, HLF, LEP, Environment Agency)	15.135	18.973	34.108
Internal PCC Balance Sheet Funds	0.275	0.070	0.345
Contributions, S106 & CIL (neighbourhood element)	1.205	3.264	4.469
Direct Revenue Funding from service areas	0.000	1.343	1.343
Borrowing	11.277	0.000	11.277
<b>Total</b>	<b>38.425</b>	<b>23.799</b>	<b>62.224</b>

## 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 2016/17](#) has been approved by Full Council.



## External borrowing

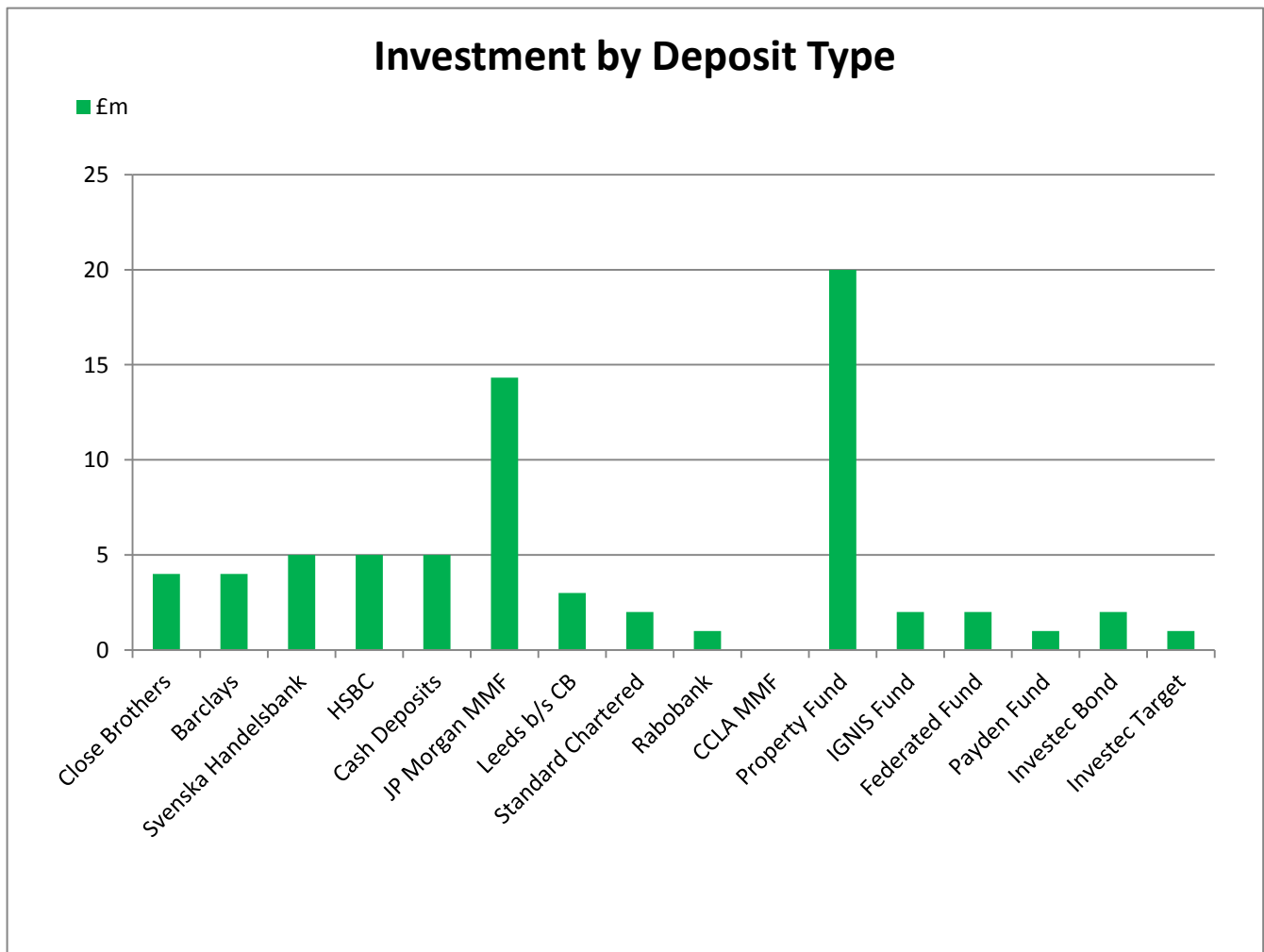
At the year-end, borrowing from external lenders totalled £240.43m, as shown in the table below. This should be viewed in relation to the value of the Council's operational land and buildings, plant and equipment and investment properties, which have a net book value of £533.256m at the 31 March 2016. 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	Balance 1 April 2015	Maturing Debt	New Borrowing	Balance 31 March 2016	Average Rate
	£m	£m	£m	£m	%
Short Term Borrowing	68.200	(197.500)	225.360	96.060	0.01
Long Term Borrowing	144.370	0.000	0.000	144.370	5.76
<b>Total Borrowing</b>	<b>212.570</b>	<b>(197.500)</b>	<b>225.360</b>	<b>240.430</b>	<b>3.51</b>

## Investments

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

Investments by bank/group at 31 March 2016



Bank / Group	£m
Close Brothers	4.000
Barclays	4.000
Svenska Handelsbank	5.000
HSBC	5.000
Cash Deposits	5.000
JP Morgan MMF	14.320
Leeds b/s CB	3.000
Standard Chartered	2.000
Rabobank	1.000
CCLA MMF	0.025
Property Fund	20.000
IGNIS Fund	2.000
Federated Fund	2.000
Payden Fund	1.000
Investec Bond	2.000
Investec Target	1.000
<b>Total</b>	<b>71.345</b>

### Update on Investments with Icelandic Banks

The latest position on the recoveries of monies invested in the Icelandic banks is shown below. The Council continues to pursue recovery of the outstanding monies in partnership with the LGA and continues to earn interest on these investments.

Bank	Original Deposit	Balance 31 March 2016
	£m	£m
Heritable Bank	3.000	0.060
Glitnir	6.000	1.400
Landsbanki	4.000	0.000
<b>Total</b>	<b>13.000</b>	<b>1.460</b>

## OVERVIEW OF THE ACCOUNTING STATEMENTS

### Statutory duty and compliance with regulations

The Accounts and Audit (England) Regulations 2015 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 2016 and its income and expenditure for the year ended 31 March 2016.

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 2015/16 and Update (The Code)

- Service Reporting Code of Practice for Local Authorities 2015/16 and Update (SeRCOP)

These codes are updated annually by the Chartered Institute of Public Finance and Accountancy (CIPFA). There were no major changes for 2015/16.

### **The Annual Governance Statement**

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

The AGS was reported to and approved by the Audit Committee in June 2016.

### **Contents**

#### **The Statement of Accounts comprises:**

- A Narrative Report
- 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 again has a negative balance, all be it a reduced negative balance from that reported March 2015. This has again 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 [17.1](#).

There has been one large movement in the unusable reserves during the year. The pension reserve has decreased by a net figure of £51m.

##### **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 £455.597m 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 £15.065m 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 2016 has increased following the actuaries review of the position.

The resultant negative balance 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 review is undertaken.

### Material events after the balance sheet date

The Council is required to take into account items occurring after 31 March 2016 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 2016.

Events taking place after that date will not be reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

There are no relevant material non-adjusting events pertinent to the understanding of the Authority's financial position to report at this stage, but this might change for the publication of the final audited accounts.

### Financial position of the Council

#### Going into 2016/17

At 31 March 2016 the Council's Working Balance stood at £10.652m which equates to approximately 5.7% of the net revenue budget for 2016/17 of £186.702m. Our approved Medium Term Financial Strategy (MTFS) requires us to maintain a Working Balance of at least 5%. This position has been reviewed and has been adjusted as part of the budget setting process for 2016/17.

In addition to the Working Balance, 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. Assuming the Corporate Adjustments outlined above are approved, the Council's earmarked reserves will stand at £30.587m at 31 March 2016 (up from £28.482m at 31 March 2015). This includes schools balances and reserves of £7.301m (down from £8.856m).

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 2016 totalled £22.428m. Further details of provisions are in note [16](#). 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

We have had our settlement confirmed for 2016/17 and it is in line with our projections, with a further reduction in core grant funding from £44.4m to £33.21m; this is a reduction of over £11m, or just under 25%. Alongside this reduction we will continue to see a number of significant financial pressures in the medium term. On top of the already increasing demand for areas such as social care, due to demographic changes and price inflation, we also have additional costs as a direct result of Government policy changes. The Government has announced changes to the rate of national insurance on both employees and their employers for those eligible or entitled to a defined benefit pension. Plymouth City Council runs such a scheme and will therefore incur this additional cost burden. In the 2015 Budget, it was announced that the new compulsory National Living Wage of £7.20 per hour will be introduced in April 2016, again impacting on our costs. We are also 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 and the proposed move to 100% rates retention in

2019/20. We will build on our successes with our Section 75 agreement to pool funding covering all aspects of children's and adult's social care plus intervention services with our CCG partner.

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.

We will continue to refine the financial and non-financial benefits achievable through our transformation programme in order to address the funding challenges ahead.

We have extended the capital programme to provide a council investment of £282m over the next five years and continue to seek opportunities to lever in significant external investment in the city. Successful bids such as City Deal and the History Centre, alongside maximising contributions from developers, will leave a lasting positive legacy for the city.

### 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 2015/16 of very close to budget, with a small underspend of £0.032m; 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 formal audit of the Draft Statement of Accounts commenced on 15 June 2016, and in line with our statutory duty we made our accounts available for scrutiny by interested members of the public from 30<sup>th</sup> June to 10<sup>th</sup> August 2016.

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 2016.

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


- a) Any person interested may inspect and make copies of the accounts to be audited.
- b) A local government elector for the area may question the auditor about the accounts and object to any items of unlawful expenditure, loss due to willful 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 (Section 151 Officer) is required to sign the final accounts by a statutory deadline of 30 September 2016.

Further information is available:

- On the Council's website: [plymouth.gov.uk/accounts](http://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](mailto:corporateaccountancy@plymouth.gov.uk).

The Council's statutory responsibilities regarding these Accounts are laid out in the section entitled 'Statement of Responsibilities for the Statement of Accounts' page 20.



A Hardingham  
Assistant Director for Finance & Section 151 Officer  
Ballard House, Plymouth PL1 3BJ

Dated: 10 June 2016

**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 (Section 151 Officer) 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 as at 31 March 2016 and of its expenditure and income for the year ended 31 March 2016.



A Hardingham  
Assistant Director for Finance & Section 151 Officer  
Ballard House, Plymouth PL1 3BJ

Dated: 10 June 2016



## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDING 31 MARCH 2016

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 2014		10,739	27,443	12,863	12,882	63,927	(973)	62,954
<b>Movement in Reserves during 2014/15</b>								
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)
<b>Total Comprehensive Expenditure and Income</b>		<b>(64,728)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(64,728)</b>	<b>(121,698)</b>	<b>(186,426)</b>
Adjustments between accounting basis & funding under regulations	6	65,653	0	(2,065)	(4,549)	59,039	(59,039)	0
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>		<b>925</b>	<b>0</b>	<b>(2,065)</b>	<b>(4,549)</b>	<b>(5,689)</b>	<b>(180,737)</b>	<b>(186,426)</b>
Transfers (to) / from earmarked reserves	17.3	(1,044)	1,044	0	0	0	0	0
<b>Increase / (Decrease) in year</b>		<b>(119)</b>	<b>1,044</b>	<b>(2,065)</b>	<b>(4,549)</b>	<b>(5,689)</b>	<b>(180,737)</b>	<b>(186,426)</b>
Balance at 31 March 2015		10,620	28,487	10,798	8,333	58,238	(181,710)	(123,472)
<b>Movement in Reserves during 2015/16</b>								
Surplus or (deficit) on provision of services		(40,650)	0	0	0	(40,650)	0	(40,650)
Other Comprehensive Expenditure and Income		0	0	0	0	0	94,657	94,657
<b>Total Comprehensive Expenditure and Income</b>		<b>(40,650)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(40,650)</b>	<b>94,657</b>	<b>54,007</b>
Adjustments between accounting basis & funding under regulations	6	41,607	0	(1,809)	(5,964)	33,834	(33,834)	0
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>		<b>957</b>	<b>0</b>	<b>(1,809)</b>	<b>(5,964)</b>	<b>(6,816)</b>	<b>60,823</b>	<b>54,007</b>
Transfers (to) / from earmarked reserves	17.3	(925)	925	0	0	0	0	0
<b>Increase / (Decrease) in year</b>		<b>32</b>	<b>925</b>	<b>(1,809)</b>	<b>(5,964)</b>	<b>(6,816)</b>	<b>60,823</b>	<b>54,007</b>
Balance at 31 March 2016		10,652	29,412	8,989	2,369	51,422	(120,887)	(69,465)

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31 MARCH 2016

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.

2014/15 Gross Expenditure	2014/15 Gross Income	2014/15 Net Expenditure		Note	2015/16 Gross Expenditure	2015/16 Gross Income	2015/16 Net Expenditure
£000	£000	£000			£000	£000	£000
102,883	(24,592)	78,291	Adult Social Care		97,456	(28,495)	68,961
10,471	(299)	10,172	Corporate & Democratic Core		4,434	(313)	4,121
6,378	(3,882)	2,496	Central Services		4,850	(2,777)	2,073
19,884	(5,439)	14,445	Cultural & Related Services		20,900	(5,599)	15,301
222,993	(155,667)	67,326	Children's & Educational Services		237,066	(156,396)	80,670
44,608	(14,520)	30,088	Environmental & Regulatory Services		37,290	(11,434)	25,856
117,693	(113,330)	4,363	Housing Services		118,539	(112,736)	5,803
79,683	(17,876)	61,807	Highways & Transport Services		41,849	(21,733)	20,116
1,884	(4,257)	(2,373)	Non Distributed Costs		1,385	(5,308)	(3,923)
12,193	(12,932)	(739)	Public Health		14,740	(14,204)	536
15,488	(13,570)	1,918	Planning Services		15,399	(9,269)	6,130
<b>634,158</b>	<b>(366,364)</b>	<b>267,794</b>	<b>(Surplus)/Deficit on Continuing Operations</b>		<b>593,908</b>	<b>(368,264)</b>	<b>225,644</b>
3,826	(269)	3,557	(Gain)/Loss on Disposal of non-current assets		11,190	(3,546)	7,644
358	(4,316)	(3,958)	Other Operating Expenditure		296	(3,750)	(3,454)
45,518	(20,115)	25,403	Financing and Investment Income and Expenditure	7	37,124	(11,599)	25,525
0	(228,068)	(228,068)	Taxation and Non-Specific Grant Income	8	0	(214,709)	(214,709)
		<b>64,728</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>40,650</b>
		4,878	(Surplus)/deficit on revaluation of non-current assets	17.6			(30,571)
		117,858	Re-measurement of the net defined benefit liability (asset)	17.9			(62,865)
		(1,251)	(Surplus)/Deficit on revaluation of Available for sale financials assets				(803)
		213	Landfill Provision	16			(418)
		<b>121,698</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(94,657)</b>
		<b>186,426</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(54,007)</b>

**BALANCE SHEET AS AT 31 MARCH 2016**

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 are matched by the reserves held. Usable reserves are 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). Unusable reserves are those that the authority is not able to use to provide services and are reserves that hold unrealised gains and losses (for example the Revaluation Reserve).

31 March 2015		Note	31 March 2016
£000			£000
547,377	Property Plant & Equipment	<a href="#">9</a>	653,923
21,344	Heritage Assets	<a href="#">10</a>	27,059
64,161	Investment Property	<a href="#">11.1</a>	63,018
1,628	Intangible Assets		1,555
29,130	Long Term Investments	<a href="#">13.1</a>	34,991
2,598	Long Term Debtors		4,859
<b>666,238</b>	<b>Non-current Assets</b>		<b>785,405</b>
41,379	Short Term Investments	<a href="#">13.1</a>	13,178
966	Inventories		739
37,157	Short Term Debtors	<a href="#">14.1</a>	39,439
7,628	Cash & Cash Equivalents	<a href="#">18.4</a>	26,958
6,363	Assets Held for Sale	<a href="#">9.6</a>	4,915
<b>93,493</b>	<b>Current Assets</b>		<b>85,229</b>
(69,925)	Short Term Borrowing	<a href="#">13.1</a>	(97,812)
(94,155)	Short Term Creditors	<a href="#">15.1</a>	(88,203)
(1,002)	Short Term Provisions	<a href="#">16</a>	(2,276)
<b>(165,082)</b>	<b>Current Liabilities</b>		<b>(188,291)</b>
(16,756)	Long Term Creditors	<a href="#">15.2</a>	(15,286)
(12,899)	Long Term Provisions	<a href="#">16</a>	(10,485)
(145,537)	Long Term Borrowing	<a href="#">13.1</a>	(145,584)
(504,823)	Long Term Liabilities Pensions	<a href="#">29.3 &amp; 29.9</a>	(455,599)
(38,106)	Long Term Liabilities Other	<a href="#">15.3</a>	(124,854)
<b>(718,121)</b>	<b>Long Term Liabilities</b>		<b>(751,808)</b>
<b>(123,472)</b>	<b>Net Assets</b>		<b>(69,465)</b>
58,238	Usable Reserves	<a href="#">17.1</a>	51,422
(181,710)	Unusable Reserves	<a href="#">17.1</a>	(120,887)
<b>(123,472)</b>	<b>Total Reserves</b>		<b>(69,465)</b>

## 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.

2014/15		Note	2015/16
£000			£000
(64,728)	Net Surplus or (Deficit) on the Provision of Services	<a href="#">18.1</a>	(40,650)
97,113	Adjustment to Net Surplus or (Deficit) on the Provision of the Services for Non Cash Movement	<a href="#">18.1</a>	70,276
59,033	Adjustment for Items included in the net (Surplus) of Deficit on the provision of services that are investing and Financing Activities	<a href="#">18.1</a>	(9,933)
<b>91,418</b>	<b>Net Cash Flow from Operating Activities</b>		<b>19,693</b>
(92,530)	Investing Activities	<a href="#">18.2</a>	(25,266)
(13,964)	Financing Activities	<a href="#">18.3</a>	24,903
<b>(15,076)</b>	<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>		<b>19,330</b>
22,704	Cash and Cash Equivalents at the beginning of the Reporting Period	<a href="#">18.4</a>	7,628
<b>7,628</b>	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>		<b>26,958</b>

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## **I. Accounting Policies**

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

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, 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 2015/16 (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.

### **I.3 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.4 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.5 Charges to Revenue for Non-current Assets**

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

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

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

with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **I.6 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 Pension 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.

### **The Local Government Pension Scheme**

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 3.7 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.

### **1.7 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.

### **1.8 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 the 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 unless the client is deceased. Under the Care Act 2014 any Deferred Payment Agreements entered into after this date are liable to interest at a rate of 2.65%.



## 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.

## 1.9 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 the conditions attached to the grant or contribution have been satisfied. Conditions 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 stated, or that future economic benefits or service potential must be returned to the transferor (Grant provider).

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (ring-fenced 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.

### **1.10 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.

### **1.11 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 Council's 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.

### **1.12 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.

### **1.13 Interests in Companies and Other Entities**

The Authority has interests in other entities that have the nature of subsidiaries, associates or joint ventures. However, these are not currently 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.

### **1.14 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.

### **1.15 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.

### **1.16 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.

## 1.17 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 2015/16 (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.

## 1.18 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-minimis level of £10,000 for land and property and £5,000 for vehicle, plant and equipment. However, there is no de-minimis 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 depreciated 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	5 to 50 years
Schools	5 to 40 years
Other buildings	5 to 60 years
Infrastructure	20 to 40 years
Vehicles and Plant	5 to 20 years

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

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).

## **1.19 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.

## **1.20 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.

### **Schools PFI credits**

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

## **1.21 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.

### **Contingent Liabilities**

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

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

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

## 1.22 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.

## 1.23 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, asset 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.

### Tamar Bridge valuation

Whilst bridges are classified as infrastructure assets and therefore are usually valued using the Depreciated Historic Cost method, Tamar Bridge differs from the norm because it is a toll bridge and the tolls received are used to maintain its upkeep. A reader of the Tamar Bridge accounts might reasonably expect there to be a relationship between the income raised in tolls and the cost of replacing the bridge. In addition other toll bridges are also treated differently to other infrastructure assets.

In the circumstances, the Council has made the judgement that Depreciated Replacement Cost is the most appropriate basis for valuing this asset.



### 3. Accounting Standards that have been issued but have not yet been adopted

The Council is required to disclose information regarding the impact of any accounting change on the financial statements as a result of any new standards that have been issued, but are not yet required to be adopted by the Council. The Standards that require disclosure within the 2015/16 accounts relate to changes adopted into CIPFA's Accounting Code of Practice in 2016/17 and are as follows:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Pension Fund Account and the Net Assets Statement

It is not anticipated that the above amendments will have a material impact on the information provided in the Council's financial statements i.e. there is unlikely to be a change to the reported information in the reported net cost of services or the Surplus or Deficit on the Provision of Services. However, in the 2016/17 year the comparator 2015/16 Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement must reflect the new formats and reporting requirements.

### 4. Assumptions made about the future and other major sources of estimation uncertainty

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

#### Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

Sensitivity analysis of the impact of a 1% change in discount rate and a 1yr change in mortality rate assumptions can be found in the Pension disclosure note [29](#).

### 5. Events after the Balance Sheet date

The Statement of Accounts was authorised by the Council's Section 151 Officer on 30 June 2016. 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 2016, the

figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no relevant material non-adjusting events pertinent to the understanding of the Authority's financial position.

Following the result of the referendum on 23 June 2016 for the United Kingdom to leave the European Union, there has been volatility in the financial markets. The consequential effect on items reported in these financial statements includes the calculation of the Council's share of assets and liabilities within the Local Government Pension Scheme administered by Devon County Council and the valuation of investment properties. The Council will review the position and action will be taken to respond to any significant impact.

The Council has setup a cross-departmental working group to monitor all areas including Treasury Management and Grant Funding.

## 6. 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	2014/15				2015/16			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>								
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Charges for depreciation and impairment of non-current assets	78,926	0	0	(78,926)	51,935	0	0	(51,935)
Movements in the market value of Investment Properties	2,791	0	0	(2,791)	(8)	0	0	8
Amortisation of intangible assets	689	0	0	(689)	551	0	0	(551)
Capital grants and contributions	(26,301)	0	26,301	0	(29,206)	0	29,206	0
Movement in the Donated Assets Account	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	10,658	0	0	(10,658)	8,900	0	0	(8,900)
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	3,510	0	0	(3,510)	7,559	0	0	(7,559)
Deferred credit Energy from Waste	0	0	0	0	(2,267)	0	0	2,267
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment	(9,110)	0	0	9,110	(3,404)	0	0	3,404
Capital expenditure charged against the General Fund	(2,670)	0	0	2,670	(1,960)	0	0	1,960
<b>Adjustments involving the Capital Receipts Reserve:</b>								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	3,391	0	(3,391)	0	4,853	0	(4,853)
Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement	(4,316)	4,316	0	0	(3,750)	3,750	0	0
<b>Total C/FWD</b>	<b>54,177</b>	<b>7,707</b>	<b>26,301</b>	<b>(88,185)</b>	<b>28,350</b>	<b>8,603</b>	<b>29,206</b>	<b>(66,159)</b>

Adjustments between Accounting Basis and Funding Basis under Regulations	2014/15				2015/16			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Total B/FWD</b>	<b>54,177</b>	<b>7,707</b>	<b>26,301</b>	<b>(88,185)</b>	<b>28,350</b>	<b>8,603</b>	<b>29,206</b>	<b>(66,159)</b>
Long term debtor repayments in year	0	36	0	(36)	0	126	0	(126)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(9,805)	0	9,805	0	(10,536)	0	10,536
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	3	(3)	0	0	2	(2)	0	0
<b>Adjustments involving the Capital Grants Unapplied Account:</b>								
Use of the Capital Grants unapplied Account to finance new capital expenditure	0	0	(30,850)	30,850	0	0	(35,170)	35,170
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(160)	0	0	160	(162)	0	0	162
<b>Adjustments involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	31,476	0	0	(31,476)	30,349	0	0	(30,349)
Employer's pensions contributions and direct payments to pensioners payable in the year	(19,901)	0	0	19,901	(18,165)	0	0	18,165
<b>Adjustments involving the Collection Fund Adjustment Account:</b>								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	402	0	0	(402)	2,651	0	0	(2,651)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(344)	0	0	344	(1,418)	0	0	1,418
<b>Total Adjustments</b>	<b>65,653</b>	<b>(2,065)</b>	<b>(4,549)</b>	<b>(59,039)</b>	<b>41,607</b>	<b>(1,809)</b>	<b>(5,964)</b>	<b>(33,834)</b>

## 7. 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 [13](#).

Analysis of Income / Expenditure	2014/15	2015/16
	£000	£000
Interest payable and similar charges	10,426	13,933
Pensions interest cost and expected return on pension assets	16,233	16,096
Interest receivable and similar income	(1,398)	(1,486)
(Surpluses) / deficits on trading undertakings not included in Net Cost of Services	101	(468)
Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal	41	(2,550)
<b>Total</b>	<b>25,403</b>	<b>25,525</b>

## 8. 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	2014/15	2015/16
	£000	£000
Council Tax Income	(87,446)	(90,861)
Non Domestic Rates	(53,716)	(52,040)
Non-ringfenced Government Grants	(68,417)	(50,662)
Capital Grants and Contributions	(18,489)	(21,146)
<b>Total</b>	<b>(228,068)</b>	<b>(214,709)</b>

## 9. Property, plant and equipment

### 9.1 Movement in year

The movement in Property Plant and Equipment (PPE) in 2015/16 is summarised in the following table:

2015/16	Other Land & Buildings	Vehicles, Plant, Furniture & Fittings	Infrastructure Assets	Toll Bridge	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1 April 2015	394,318	61,322	166,902	56,250	1,581	10,952	17,759	709,084	23,799
Additions	115,590	6,149	13,503	450	0	52	7,387	143,131	92,676
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,134	0	0	0	0	(2,587)	0	1,547	(2,333)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,935)	0	0	0	(27)	(258)	0	(3,220)	8,104
Derecognition - disposals	0	(3,047)	0	0	0	(1,078)	0	(4,125)	0
Derecognition - other	0	0	0	0	0	0	0	0	0
Other movements in cost or valuation	(3,555)	(49)	6,768	0	34	(3,740)	(15,422)	(15,964)	0
<b>At 31 March 2016</b>	<b>507,552</b>	<b>64,375</b>	<b>187,173</b>	<b>56,700</b>	<b>1,588</b>	<b>3,341</b>	<b>9,724</b>	<b>830,453</b>	<b>122,246</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2015	(62,129)	(31,640)	(62,589)	(938)	(1,159)	(3,252)	0	(161,707)	(2,713)
Depreciation charge	(11,543)	(4,280)	(8,121)	(937)	0	0	0	(24,881)	(840)
Depreciation written out to the Revaluation Reserve	23,035	0	0	0	0	994	0	24,029	2,388
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,567	0	0	0	0	0	0	1,567	92
Impairment losses/(reversals) recognised in the Revaluation Reserve	(6,291)	0	0	0	0	1,077	0	(5,214)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(18,039)	(477)	0	0	(7)	(182)	0	(18,705)	(4,522)
Derecognition - disposals	0	2,481	0	0	0	129	0	2,610	0
Derecognition - other	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	5,387	240	0	0	0	144	0	5,771	0
<b>At 31 March 2016</b>	<b>(68,013)</b>	<b>(33,676)</b>	<b>(70,710)</b>	<b>(1,875)</b>	<b>(1,166)</b>	<b>(1,090)</b>	<b>0</b>	<b>(176,530)</b>	<b>(5,595)</b>
<b>Net Book Value</b>									
<b>At 31 March 2016</b>	<b>439,539</b>	<b>30,699</b>	<b>116,463</b>	<b>54,825</b>	<b>422</b>	<b>2,251</b>	<b>9,724</b>	<b>653,923</b>	<b>116,651</b>
<b>At 31 March 2015</b>	<b>332,189</b>	<b>29,682</b>	<b>104,313</b>	<b>55,312</b>	<b>422</b>	<b>7,700</b>	<b>17,759</b>	<b>547,377</b>	<b>21,086</b>

2014/15	Other Land & Buildings	Vehicles, Plant, Furniture & Fittings	Infrastructure Assets	Toll Bridge	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1 April 2014	402,213	54,932	153,777	110,793	1,565	4,990	9,890	738,160	28,135
Additions	5,713	7,163	10,779	0	3	462	15,381	39,501	0
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,873)	0	194	(16,264)	0	2,296	0	(18,647)	(458)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6,367)	0	(194)	(38,279)	0	(46)	0	(44,886)	0
Derecognition - disposals	(746)	(444)	0	0	0	0	0	(1,190)	0
Derecognition - other	0	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)	0
Other movements in cost or valuation	(123)	(329)	2,346	0	13	2,775	(7,512)	(2,830)	(3,878)
<b>At 31 March 2015</b>	<b>394,318</b>	<b>61,322</b>	<b>166,902</b>	<b>56,250</b>	<b>1,581</b>	<b>10,952</b>	<b>17,759</b>	<b>709,084</b>	<b>23,799</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2014	(47,528)	(27,717)	(54,517)	(9,195)	(1,143)	(1,523)	0	(141,623)	(2,479)
Depreciation charge	(13,285)	(4,291)	(8,058)	(938)	0	(181)	0	(26,753)	(602)
Depreciation written out to the Revaluation Reserve	3,249	0	0	9,195	0	170	0	12,614	368
Depreciation written out to the Surplus/Deficit on the Provision of Services	1,713	0	0	0	0	0	0	1,713	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	(200)	0	0	0	0	(300)	0	(500)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(6,970)	(80)	(14)	0	(16)	(1,085)	0	(8,165)	0
Derecognition - disposals	380	334	0	0	0	0	0	714	0
Derecognition - other	0	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	512	114	0	0	0	(333)	0	293	0
<b>At 31 March 2015</b>	<b>(62,129)</b>	<b>(31,640)</b>	<b>(62,589)</b>	<b>(938)</b>	<b>(1,159)</b>	<b>(3,252)</b>	<b>0</b>	<b>(161,707)</b>	<b>(2,713)</b>
<b>Net Book Value</b>									
<b>At 31 March 2015</b>	<b>332,189</b>	<b>29,682</b>	<b>104,313</b>	<b>55,312</b>	<b>422</b>	<b>7,700</b>	<b>17,759</b>	<b>547,377</b>	<b>21,086</b>
<b>At 31 March 2014</b>	<b>354,685</b>	<b>27,215</b>	<b>99,260</b>	<b>101,598</b>	<b>422</b>	<b>3,467</b>	<b>9,890</b>	<b>596,537</b>	<b>25,656</b>

## 9.2 Commitments under capital contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2016 amounted to £39.788m (31 March 2015 £26.243m). 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.

## 9.3 Trust, foundation, voluntary aided and academy schools

It is a CIPFA code requirement to review the status of every school in terms of its control and influence and this may differ from the school's legal status. The Authority is satisfied that all the schools are correctly accounted for.

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 directly from Central 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, four schools transferred to Trust status, one school transferred to Academy status, and also one school which previously held voluntary/controlled status, transferred to Academy status.

## 9.4 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 T Palmer & Ms L Rymel, RICS Registered Valuers.

## 9.5 Gain/loss on disposal of non-current assets

In 2015/16, the Council incurred a net loss on disposal of non-current assets of £8.647m (2014/15 £2.024).

Assets Written Off Balance Sheet	2014/15	2015/16
	£000	£000
Land & Property Sales	(302)	928
Academy and Trust Schools	2,374	7,793
Investment Properties	(48)	(74)
<b>Total</b>	<b>2,024</b>	<b>8,647</b>

## 9.6 Assets held for sale

The Council has non-current assets that are held for sale as at 31 March 2016. The value of the assets held for sale are £4.915m (2014/15 £6.363m).



## 10. Heritage assets

The Council holds the following types of heritage assets:

### Historic buildings and monuments

Historic buildings and monuments classified as heritage assets on the balance sheet include Smeaton's Tower, 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, for example Mount Edgcumbe House and the City Museum.

### Gold, silver, jewellery, fine art and world cultures

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

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

All Heritage assets are recognised at insurance valuations, which are reviewed annually and the value of assets are adjusted accordingly.

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

Heritage Assets	Buildings	Fine Art	Gold, Silver & Jewellery	Total Assets
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
As at 1 April 2014	1,713	13,840	4,591	20,144
Additions	0	381	0	381
Revaluations	0	819	0	819
<b>As at 31 March 2015</b>	<b>1,713</b>	<b>15,040</b>	<b>4,591</b>	<b>21,344</b>
<b>Cost or Valuation</b>				
As at 1 April 2015	1,713	15,040	4,591	21,344
Additions	13	0	41	54
Revaluations	4,320	1,673	(303)	5,690
Reclassification	(29)	0	0	(29)
<b>As at 31 March 2016</b>	<b>6,017</b>	<b>16,713</b>	<b>4,329</b>	<b>27,059</b>

## 11. Investment Properties

### 11.1 Income, Expenditure and changes in Fair Value of Investment Properties

Investment properties are properties held solely to earn rentals or for capital appreciation or both. In the main the Council's investment properties 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	2014/15	2015/16
	£000	£000
Balance at 1 April	66,397	64,161
Additions	3,468	158
Disposals	(3,074)	(1,222)
Net gains / (losses) from fair value adjustments	(2,791)	8
<b>Transfers:</b>		
(to) / from Inventories	0	0
(to) / from Property, Plant & Equipment	161	0
Other changes	0	(87)
<b>Balance at 31 March</b>	<b>64,161</b>	<b>63,018</b>

## 11.2 Fair Value Hierarchy for Investment Properties

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2016 (and 2015) are as follows:

2015/16 Recurring fair value measurements using:	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2016
	£000	£000	£000	£000
CAT1 - Depots & Workshops	0	267	0	267
CAT2 - Development & Surplus Land	0	4,012	50	4,062
CAT3 - Industrial sites	0	14,755	0	14,755
CAT4 - Lodges	0	160	0	160
CAT5 - Miscellaneous Ground Rents	0	1,713	3,323	5,036
CAT6 - Miscellaneous Let	0	4,112	54	4,166
CAT7 - Offices	0	1,968	0	1,968
CAT8 - Retail Ground Rents	0	32,021	0	32,021
<b>Total</b>	<b>0</b>	<b>59,008</b>	<b>3,427</b>	<b>62,435</b>

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

## 11.3 Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

### Significant Observable Inputs – Level 2

The fair value for the residential properties (at market rents) has been based on the market approach using current market conditions, recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

### Significant Unobservable Inputs – Level 3

The office and commercial units located in the local authority area are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. The approach has been developed using the authority's own data requiring it to factor in assumptions such as the duration and timing of cash inflows and outflows, rent growth, occupancy levels, bad debt levels, maintenance costs, etc.

The authority's office and commercial units are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions).

### Highest and Best use of Investment Properties

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

### Valuation Techniques

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

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

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

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

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

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

(N.B previously an all risk yield approach was used across the whole investment portfolio, however this year we have approached it on a property by property basis using an all risk yield, term and reversion and comparable market evidence).

### 11.4 Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within Level 3 of the Fair Value Hierarchy

Investment properties categorised within Level 3	31 March 2016
	£000
Opening Balance	0
Reclassifications in to Investment Properties at Level 3	0
Reclassifications out of Investment Properties at Level 3	0
Transfers into Level 3	2,969
Transfers out of Level 3	0
Total gains/(losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value	458
Additions	0
Disposals	0
<b>Closing Balance</b>	<b>3,427</b>

Gains or losses arising from changes in the fair value of the investment properties are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

### 11.5 Quantitative information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

Subcategory at Fair Value Level 3	31 March 2016	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
	£000				
Misc. Ground Rents	3,323	Income approach using a term and reversion technique	Rent growth	0% - 3.3% (0.66%)	Significant changes in rent growth and investment yield will result in a significantly lower or higher fair value
			Discount rate	6% - 15% (12.87%)	
Misc. Let Properties	54	Income approach using a term and reversion technique	Rent growth	50%	Significant changes in rent growth and investment yield will result in a significantly lower or higher fair value
			Discount rate	9%	

## 12. 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	Restated 2014/15	2015/16
	£000	£000
<b>Opening Capital Financing Requirement 1 April</b>	<b>264,753</b>	<b>262,872</b>
<b>Capital Investment</b>		
Property, Plant & Equipment	39,501	50,455
Plymouth Energy from Waste Facility (EfW)		
- initial recognition of asset (Plymouth share)	0	92,676
- less deferred credit re third party income to EfW	0	(58,036)
Investment Properties	3,468	158
Intangible Assets	238	471
Heritage Assets	381	54
Revenue Expenditure Funded from Capital under Statute	10,554	8,857
Other Capital Expenditure	482	2,813
<b>Total</b>	<b>54,624</b>	<b>97,448</b>
<b>Sources of Finance</b>		
Capital Receipts	(9,805)	(10,536)
less: Long Term Debtors written out in year	33	124
Grants & Contributions applied in year	(34,071)	(38,724)
Revenue & Other Funds	(3,552)	(1,764)
Minimum Revenue Provision	(9,110)	(3,404)
<b>Total</b>	<b>(56,505)</b>	<b>(54,304)</b>
<b>Closing Capital Financing Requirement 31 March</b>	<b>262,872</b>	<b>306,016</b>
<b>Explanation of Movement in Year</b>		
Increase in underlying need to borrow	7,300	11,827
Initial recognition of EfW PFI liability	0	34,640
Reduction in underlying need to borrow resulting from other changes in Capital financing Requirement	(9,191)	(3,323)
Assets acquired under Finance Leases	9	0
<b>Increase/Decrease in Capital Financing Requirement</b>	<b>(1,882)</b>	<b>43,144</b>

### 13. Financial instruments

#### 13.1 Financial instrument balances

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

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 15	31 March 16	31 March 15	31 March 16	31 March 15	31 March 16
	£000	£000	£000	£000	£000	£000
<b>Financial liabilities at amortised cost</b>						
PWLB Debt	(44,252)	(44,252)	(287)	(287)	(44,539)	(44,539)
Other Borrowings	(101,285)	(101,332)	(69,638)	(97,524)	(170,923)	(198,856)
Deferred Liabilities	(29,352)	(116,368)	(879)	(3,406)	(30,231)	(119,774)
Other Liabilities	(8,422)	(8,486)	(498)	(521)	(8,920)	(9,007)
Trade Creditors	0	0	(27,463)	(22,715)	(27,463)	(22,715)
<b>Total Financial Liabilities</b>	<b>(183,311)</b>	<b>(270,438)</b>	<b>(98,765)</b>	<b>(124,453)</b>	<b>(282,076)</b>	<b>(394,891)</b>
<b>Loans and receivables:</b>						
Investments	4,565	4,615	41,379	13,178	45,944	17,793
Contractual debtors (net of impairment)	0	0	17,651	17,422	17,651	17,422
Cash & cash equivalents	0	0	7,628	26,958	7,628	26,958
<b>Available for sale investments:</b>						
Long term investments at fair value	24,565	30,376	0	0	24,565	30,376
<b>Total Financial Assets</b>	<b>29,130</b>	<b>34,991</b>	<b>66,658</b>	<b>57,558</b>	<b>95,788</b>	<b>92,549</b>

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.

#### 13.2 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	2014/15			2015/16		
	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	10,428	0	10,428	13,933	0	13,933
Interest payable and similar charges	10,428	0	10,428	13,933	0	13,933
Interest income	0	(1,398)	(1,398)	0	(1,486)	(1,486)
Interest and investment income	0	(1,398)	(1,398)	0	(1,486)	(1,486)
<b>Net (gain)/loss for the year</b>	<b>10,428</b>	<b>(1,398)</b>	<b>9,030</b>	<b>13,933</b>	<b>(1,486)</b>	<b>12,447</b>

### 13.3 Financial Instruments – Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31 March 2016.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2016.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Comparison of financial liabilities	Fair Value Level	31 March 2015		31 March 2016	
		Balance Sheet	Fair value	Balance Sheet	Fair value
		£000	£000	£000	£000
<b>Financial liabilities held at amortised cost:</b>					
Long-term loans from PWLB	2	(44,539)	(74,135)	(44,539)	(64,627)
Long-term LOBO loans	2	(170,923)	(227,605)	(198,856)	(254,933)
Lease payables and PFI liabilities	3	(30,231)	(30,231)	(119,774)	(119,613)
<b>Total</b>		<b>(245,693)</b>	<b>(331,971)</b>	<b>(363,169)</b>	<b>(439,173)</b>
Liabilities for which fair value is not disclosed *		(36,383)		(31,722)	
<b>Total Financial Liabilities</b>		<b>(282,076)</b>		<b>(394,891)</b>	
<b>Recorded on balance sheet as:</b>					
Short-term creditors		(28,508)		(26,641)	
Short-term borrowing		(69,925)		(97,812)	
Long-term borrowing		(145,537)		(145,584)	
Other long-term liabilities		(38,106)		(124,854)	
<b>Total Financial Liabilities</b>		<b>(282,076)</b>		<b>(394,891)</b>	

\* The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Comparison of financial assets	Fair Value Level	31 March 2015		31 March 2016	
		Balance Sheet	Fair value	Balance Sheet	Fair value
		£000	£000	£000	£000
<b>Financial Assets held at fair value:</b>					
Money market funds	1	0	0	14,324	14,324
Bond, equity and property funds	1	30,609	30,609	30,376	30,376
Corporate, covered and government bonds	2	3,007	3,007	3,007	3,007
Shares in listed companies	1	0	0	0	0
Shares in unlisted companies	3	0	0	0	0
<b>Financial assets held at amortised cost:</b>					
Long-term bank deposits	2	0	0	0	0
Long-term loans to local authorities	2	0	0	0	0
Lease receivables	3	0	0	0	0
<b>Total</b>		<b>33,616</b>	<b>33,616</b>	<b>47,707</b>	<b>47,707</b>
Assets for which fair value is not disclosed*		62,172		44,841	
<b>Total financial assets</b>		<b>95,788</b>		<b>92,548</b>	
<b>Recorded on balance sheet as:</b>					
Long-term debtors		0		0	
Long-term investments		29,130		34,991	
Short-term debtors		17,651		17,421	
Short-term investments		41,379		13,178	
Cash and cash equivalents		7,628		26,958	
<b>Total financial assets</b>		<b>95,788</b>		<b>92,548</b>	

\* The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

### 13.4 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 2015	31 March 2016
	£000	£000
Public Works Loans Board	(44,252)	(44,252)
Market debt	(100,000)	(100,000)
Temporary borrowing	(68,200)	(96,000)
Other borrowing	(112)	(176)
Deferred Liability (PFI)	(28,504)	(117,931)
Deferred Liability (Finance Leases)	(1,727)	(1,682)
Other Liabilities	(8,920)	(9,007)
Trade Creditors	(27,463)	(21,308)
<b>Total</b>	<b>(279,178)</b>	<b>(390,356)</b>
Less than 1 year	(97,154)	(121,412)
Between 1 and 2 years	(499)	(2,888)
Between 2 and 5 years	(9,217)	(17,095)
Between 5 and 10 years	(9,061)	(23,683)
Between 10 and 20 years	(50,145)	(87,933)
Between 20 and 30 years	(6,781)	(31,026)
Between 30 and 40 years	(10,532)	(12,597)
Between 40 and 50 years	(14,397)	(50,346)
Over 50 years	(81,392)	(43,376)
<b>Total</b>	<b>(279,178)</b>	<b>(390,356)</b>

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

£96.0m of short term borrowing in place at 31 March 2016 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 2015/16 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 one 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's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £20m. A 5% fall in commercial property prices would result in a £1m charge to Other Comprehensive Income & Expenditure – this would have no impact on the General Fund until the investment was sold.

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £20m. A 5% fall in share prices would result in a £1m charge to Other Comprehensive Income & Expenditure – this would have no impact on the General Fund until the investments were sold.

### 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, which is British Pounds.

## 14. Debtors

### 14.1 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 2015	31 March 2016
	£000	£000
<b>Amounts Falling Due in One Year:</b>		
Central Government Departments	15,502	4,000
Public corporations & Trading Funds	7	0
NHS Bodies	388	930
Other Local Authorities	3,417	5,821
Other entities and individuals	17,843	28,688
<b>Total Short Term Debtors</b>	<b>37,157</b>	<b>39,439</b>

## 14.2 Bad debt provision

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

Analysis of provisions held	31 March 2015	Provision made in year	Provision used in year	31 March 2016
	£000	£000	£000	£000
General Fund	(1,469)	(339)	431	(1,377)
Housing Benefit Overpayments Provision	(2,881)	(775)	157	(3,499)
Collection Fund	(4,225)	(1,688)	1,326	(4,587)
<b>Total Provisions For Bad Debt</b>	<b>(8,575)</b>	<b>(2,802)</b>	<b>1,914</b>	<b>(9,463)</b>

## 15. Creditors

### 15.1 Short term creditors

Creditors payable within the next 12 months are:

Category of Creditor	31 March 2015	31 March 2016
	£000	£000
Central Government Departments	(27,947)	(2,849)
Corporations & Trading Funds	0	0
NHS Bodies	(857)	(2,407)
Other Local Authorities	(2,494)	(4,679)
Other entities and individuals	(62,857)	(78,268)
<b>Total</b>	<b>(94,155)</b>	<b>(88,203)</b>

### 15.2 Long term creditors

Creditors falling due after more than 12 months are:

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).

Category of Creditor	31 March 2015	31 March 2016
	£000	£000
Other Local Authorities	(16,521)	(15,065)
Other entities and individuals	(235)	(221)
<b>Total</b>	<b>(16,756)</b>	<b>(15,286)</b>

### 15.3 Other long term liabilities

Analysis of Other Long Term Liabilities	31 March 2015	31 March 2016
	£000	£000
PFI Finance Leases	(27,775)	(114,564)
Other Finance Leases	(1,673)	(1,638)
Tamar Science Park	(236)	(166)
Cornwall Council - re Tamar Bridge & Torpoint Ferry Joint Committee	(8,422)	(8,486)
<b>Total</b>	<b>(38,106)</b>	<b>(124,854)</b>

### 16. 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 £12.761m and includes short term provisions £2.276m (2014/15 £1.002m) and long term provisions £10.485m (2014/15 £12.899m). The balance on the provisions at year end together with movement in the year is outlined below:

Analysis of Provisions held	31 March 2015	Provision made in year	Payments used in year	Unused amounts reversed in year	31 March 2016
	£000	£000	£000	£000	£000
Insurance Provisions	(4,144)	(2,425)	2,828	3	(3,738)
Landfill Site Provision	(8,612)	0	346	418	(7,848)
Other Provisions	(1,145)	(1,582)	1,552	0	(1,175)
<b>Total Provisions</b>	<b>(13,901)</b>	<b>(4,007)</b>	<b>4,726</b>	<b>421</b>	<b>(12,761)</b>

Details about the main provisions held are as follows:

#### Insurance provisions

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

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

#### Landfill site provision

The Council has made a provision of £7.848m as at 31 March 2016 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 51 years and is reviewed each year to take into account the actual maintenance costs spent in the year.

#### Other provisions

Included in Other Provisions is a provision of £0.104m for business rate appeals as shown within the Collection Fund Statement note [5](#).

## 17. Reserves

### 17.1 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 has been one large movement in the pension reserve during the year which is part of the unusable reserves balance.

Analysis of Reserves	Note	31 March 2015	31 March 2016
		£000	£000
<b>Usable Reserves</b>			
General Fund Balance		10,620	10,652
Earmarked General Fund Reserves	<a href="#">17.3</a>	28,487	29,412
Capital Receipts Reserve	<a href="#">17.4</a>	10,798	8,989
Capital Grants and Contributions Unapplied	<a href="#">17.5</a>	8,333	2,369
<b>Total Usable Reserves</b>		<b>58,238</b>	<b>51,422</b>
<b>Unusable Reserves</b>			
Revaluation Reserve	<a href="#">17.6</a>	102,850	119,216
Capital Adjustment Account	<a href="#">17.7</a>	257,273	251,320
Financial Instruments Adjustment Account		(19,324)	(19,161)
Pensions Reserve	<a href="#">17.9</a>	(521,344)	(470,664)
Collection Fund Adjustment Account		1,124	(1,529)
Accumulating Compensated Absences Adjustment Account	<a href="#">17.11</a>	(3,838)	(2,426)
Deferred Capital Receipts		8	6
Available for Sale Financial Instruments Reserve		1,541	2,351
<b>Total Unusable Reserves</b>		<b>(181,710)</b>	<b>(120,887)</b>
<b>Total Reserves</b>		<b>(123,472)</b>	<b>(69,465)</b>

### 17.2 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 £10.620m. After taking into account the revenue surplus for the year of £0.032m the balance at 31 March 2016 was £10.652m.

### 17.3 Earmarked reserves

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

Summary group	Balance as at 31 March 2015	Transfers to Reserves 15/16	Transfers from Reserves 15/16	Balance as at 31 March 2016
	£000	£000	£000	£000
<b>Education Reserves</b>	(8,805)	(6,102)	7,654	(7,253)
<b>Other Ring Fenced</b>	(3,743)	(684)	1,406	(3,021)
<b>Other Reserves</b>	(4,300)	(5,268)	5,077	(4,491)
<b>PCC Earmarked Reserves:</b>				
Insurance & Risk Management Reserve	(1,179)	0	903	(276)
Pensions	(566)	(400)	566	(400)
Carry Forwards & Corporate Health	(753)	(838)	753	(838)
Redundancies Reserve	(700)	(1,000)	700	(1,000)
Modernisation Enabler	0	(1,100)	0	(1,100)
Life Centre Dowry	(600)	(150)	0	(750)
Waste Shortfall	(750)	0	750	0
Stock Transfer Residual Liabilities	(1,005)	0	0	(1,005)
Investment Fund	(1,579)	(552)	525	(1,606)
Business Rates Reserve	0	(1,000)	0	(1,000)
Care Act	(500)	(1,943)	243	(2,200)
Integrated Finance Reserve	0	(1,000)	0	(1,000)
Other PCC Earmarked Reserves	(4,007)	(3,096)	3,631	(3,472)
<b>Total Reserves</b>	<b>(28,487)</b>	<b>(23,133)</b>	<b>22,208</b>	<b>(29,412)</b>

The main earmarked reserves and their purpose are as follows:

#### Education/schools reserves

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

School budget share – Represents unspent balances at the year-end against schools' delegated budgets. The 31 March 2016 balance relating to the School budget share was £6.076m (31 March 2015: £7.365m).

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.

#### 17.4 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	2014/15	2015/16
	£000	£000
<b>Balance at 1 April</b>	<b>12,863</b>	<b>10,798</b>
<b>Add:</b> Receipts from sales of assets, etc.	7,744	8,729
<b>Total</b>	<b>20,607</b>	<b>19,527</b>
<b>Less:</b>		
Housing Pooled Capital Receipts Paid to Central Government	(4)	(2)
Used to Finance Capital Expenditure	(9,805)	(10,536)
<b>Balance at 31 March</b>	<b>10,798</b>	<b>8,989</b>

### 17.5 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	2014/15	2015/16
	£000	£000
<b>Balance at 1 April 2015</b>	<b>12,882</b>	<b>8,333</b>
Capital Grants and Contributions recognised in the Comprehensive Income and Expenditure Statement in the year	26,301	29,206
Less used to finance Capital Expenditure	(30,850)	(35,170)
<b>Balance at 31 March 2016</b>	<b>8,333</b>	<b>2,369</b>

In addition to the above balance, the Authority also held £33.665m of grants and contributions on the balance sheet at 31 March 2016 (£34.967m at 31 March 2015) 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 [25.1](#).



### 17.6 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	2014/15	2015/16
	£000	£000
<b>Balance at 1 April</b>	<b>111,329</b>	<b>102,850</b>
Upward revaluation of assets	8,317	38,928
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	(13,195)	(8,357)
<b>Surplus or (deficit) on the revaluation of non-current assets not posted to the (Surplus) or Deficit on the Provision of Services</b>	<b>(4,878)</b>	<b>30,571</b>
Release of Investment Property Balance	0	0
Difference between fair value depreciation and historical cost depreciation	(3,601)	(12,380)
Accumulated gains on assets sold or scrapped	0	(1,825)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(3,601)</b>	<b>(14,205)</b>
<b>Balance at 31 March</b>	<b>102,850</b>	<b>119,216</b>

### 17.7 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	2014/15	2015/16
	£000	£000
<b>Balance at 1 April</b>	<b>301,448</b>	<b>257,273</b>
Opening balance adjustments	0	1,053
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of non-current assets	(35,754)	(48,490)
Revaluation losses on Property, Plant and Equipment	(43,171)	3,298
Amortisation of intangible assets	(689)	(551)
Revenue expenditure funded from capital under statute	(10,658)	(8,900)
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	(6,900)	(10,587)
Adjusting amounts written out of the Revaluation Reserve	3,600	4,584
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	9,805	10,536
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	30,850	35,171
<b>Amounts reserved for future capital financing:-</b>		
Statutory provision for the financing of capital investment charged against the General Fund (includes TB&TFJC element)	9,110	3,404
Capital expenditure charged against General Fund	2,670	1,960
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,792)	8
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0
<b>Other Movement on the CAA in year:-</b>		
Landfill Site Provision	(213)	418
Write Down of Long Term Debtors	(33)	(124)
Deferred Credit - Energy from Waste	0	2,267
<b>Balance at 31 March</b>	<b>257,273</b>	<b>251,320</b>

### 17.8 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.

### 17.9 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. 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.

<b>Movement in Pension Reserve</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>(391,913)</b>	<b>(521,345)</b>
Actuarial gains or losses on pensions assets and liabilities	(117,858)	62,865
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	(31,075)	(31,804)
Employer's pensions contributions and direct payments to pensioners payable in the year	19,902	18,165
(Increase) / decrease in Plymouth's share of net deficit in year of Devon County Council Pension Fund	(401)	1,455
<b>Balance at 31 March</b>	<b>(521,345)</b>	<b>(470,664)</b>

### 17.10 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.

### 17.11 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.

<b>Movement in Accumulating Compensated Absences Adjustment Account</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>(4,181)</b>	<b>(3,838)</b>
Settlement or cancellation of accrual made at the end of the preceding year	4,181	3,838
Amounts accrued at the end of the current year	(3,838)	(2,426)
<b>Balance at 31 March</b>	<b>(3,838)</b>	<b>(2,426)</b>

**18. Cash flow disclosures****18.1 Cash flow statement - operating activities**

The cash flows for operating activities include the following items:

Analysis of Operating Activities	2014/15	2015/16
	£000	£000
<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>(64,728)</b>	<b>(40,650)</b>
Adjust net surplus or deficit on the provision of services for non-cash movements:		
Depreciation	26,753	24,881
Impairment and downward valuations	52,173	27,645
Amortisation	689	551
Adjustments for effective interest rates	(55)	(57)
Increase/Decrease in Interest Creditors	6	44
(Increase)/Decrease in Creditors	4,047	(6,080)
(Increase)/Decrease in Interest and Dividend Debtors	159	170
(Increase)/Decrease in Debtors	(4,168)	(140)
(Increase)/Decrease in Inventories	(113)	227
Pension Liability	10,871	12,184
Contributions to/(from) Provisions	(2,941)	(1,140)
Accumulated Absence	0	1,412
Carrying amount of non-current assets sold	6,900	10,587
Movement in Investment Property values	2,792	(8)
<b>Total</b>	<b>97,113</b>	<b>70,276</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>		
Capital Grants credited to surplus or deficit on the provision of services	(26,302)	(29,207)
Proceeds from the sale of short and long term investments	93,075	28,000
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(7,740)	(8,726)
<b>Total</b>	<b>59,033</b>	<b>(9,933)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>91,418</b>	<b>19,693</b>

<b>Analysis of interest paid and Received</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Ordinary interest received	754	1,486
Soft Loans (non-Subsidiary) - Interest adjustment credited to I+E Account during year	0	0
Adjustment for Icelandic impairments	0	0
Opening Debtor	150	289
Closing Debtor	(289)	(48)
<b>Interest Received</b>	<b>615</b>	<b>1,727</b>
Interest charge for year	(10,037)	(12,447)
Adjustments for differences between Effective Interest Rates and actual interest payable	(55)	(57)
Adjustment for impairment losses on Long & Short Term Investments charged to Interest Payable	0	0
Opening Creditor	(3,220)	(3,226)
Closing Creditor	3,226	3,270
<b>Interest Paid</b>	<b>(10,086)</b>	<b>(12,460)</b>
Dividend Received	511	687
Opening Debtor	88	210
Closing Debtor	(210)	(281)
<b>Dividend Received</b>	<b>389</b>	<b>616</b>

**18.2 Cash flow statement – investing activities**

<b>Analysis of Investing Activities</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Property, Plant and Equipment Purchased	(42,969)	(143,288)
Other Capital Payments	(619)	(525)
Add back new PFI Asset	0	92,676
Opening Capital Creditors	(4,737)	(6,992)
Closing Capital Creditors	6,992	4,380
Movement on other capital creditors	0	0
<b>Purchase of Property, Plant and Equipment, investment property and intangible assets</b>	<b>(41,333)</b>	<b>(53,749)</b>
<b>Purchase of short and long term investments</b>	<b>(97,645)</b>	<b>(5,050)</b>
Long term loans granted	(1,179)	(2,805)
<b>Other payments for Investing Activities</b>	<b>(1,179)</b>	<b>(2,805)</b>
<b>Proceeds from the sale of property plant and equipment, investment property and intangible assets</b>	<b>7,744</b>	<b>8,728</b>
Proceeds from short term investments	0	0
<b>Proceeds from short-term and long-term investments</b>	<b>0</b>	<b>0</b>
Other capital cash receipts	(1,891)	(1,603)
Capital Grants Received	41,774	29,213
Other capital cash receipts in advance	0	0
<b>Other Receipts from Investing Activities</b>	<b>39,883</b>	<b>27,610</b>
<b>Total Cash Flows from Investing Activities</b>	<b>(92,530)</b>	<b>(25,266)</b>

**18.3 Cash flow statement – financing activities**

<b>Analysis of Financing Activities</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Cash receipts of short and long term borrowing	472,274	225,469
Billing Authorities - Council Tax and NDR adjustments	140	242
Repayment of Short-Term and Long-Term Borrowing	(485,328)	(197,413)
Payments for the reduction of a finance lease liability	(220)	(41)
Payments for the reduction of a PFI liability	(830)	(3,354)
<b>Total Cash Flows from Financing Activities</b>	<b>(13,964)</b>	<b>24,903</b>

**18.4 Cash flow statement – cash and cash equivalent**

<b>Analysis of Cash and Cash Equivalents</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Cash and Bank Balances	1,121	1,172
Cash Investments - regarded as cash equivalents	5,136	23,353
Tamar Bridge & Torpoint Ferry	1,371	2,433
<b>Total</b>	<b>7,628</b>	<b>26,958</b>

## 19. 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 2015/16 analysed by service as reported to the Authority's Cabinet:

2015/16	Executive Office	Corporate Items	Transformation & Change	People Directorate	Place Directorate	Office of Director of Public Health	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & other service income	(214)	(4,839)	(13,837)	(21,413)	(30,747)	(3,651)	(74,701)
Government grants & contributions	(74)	(6,738)	(105,900)	(258,555)	(12,580)	(14,233)	(398,080)
Interest & Investment Income	0	(1,354)	0	0	0	0	(1,354)
<b>Total</b>	<b>(288)</b>	<b>(12,931)</b>	<b>(119,737)</b>	<b>(279,968)</b>	<b>(43,327)</b>	<b>(17,884)</b>	<b>(474,135)</b>
Employee expenses	3,669	2,695	24,073	122,403	20,089	3,778	176,707
Interest Payments	0	2,842	0	0	0	0	2,842
Other operating Expenses	521	12,415	130,835	279,247	47,214	14,615	484,847
Precepts & Levies	0	12	0	0	33	0	45
Support Service Recharges	51	153	325	1,711	251	180	2,671
<b>Total</b>	<b>4,241</b>	<b>18,117</b>	<b>155,233</b>	<b>403,361</b>	<b>67,587</b>	<b>18,573</b>	<b>667,112</b>
<b>Net Cost of Services 2015/16</b>	<b>3,953</b>	<b>5,186</b>	<b>35,496</b>	<b>123,393</b>	<b>24,260</b>	<b>689</b>	<b>192,977</b>

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

Reconciliation to Net cost of services in Comprehensive Income and Expenditure Statement	£000
Net Cost of Services in Service Analysis as shown in the table above	192,977
Add Adjustments and Amounts not reported in Management accounts (including Tamar Bridge & Torpoint Ferry Joint Committee)	1,287
Add Net Expenditure of Services not included in the main analysis (Trading)	57
Remove amounts reported to management not included in Comprehensive Income and Expenditure	31,323
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>225,644</b>

### Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the comprehensive income and expenditure statement.

2015/16	Service Analysis	Adjustments & Amounts not in Management accounts	Services not in main analysis	Not incl in I&E	Net cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(74,701)	(28,909)	(10,305)	48,640	(65,275)	(13,647)	(78,922)
Government grants & contributions	(398,080)	80,780	0	30,881	(286,419)	(214,713)	(501,132)
Interest and Investment income	(1,354)	(3,883)	0	5,237	0	(5,236)	(5,236)
<b>Total Income</b>	<b>(474,135)</b>	<b>47,988</b>	<b>(10,305)</b>	<b>84,758</b>	<b>(351,694)</b>	<b>(233,596)</b>	<b>(585,290)</b>
Depreciation, amortisation and impairment	0	(14,443)	320	54,531	40,408	812	41,220
Employee expenses	176,707	(3,532)	2,087	(25,933)	149,329	18,035	167,364
Gain or Loss on disposal of Non-Current Assets	0	11,190	0	(11,190)	0	11,189	11,189
Interest Payments	2,842	19,409	0	(22,252)	(1)	22,252	22,251
Other service Expenses	484,847	(108,401)	7,176	(31,087)	352,535	(4,980)	347,555
Payments to Housing Capital Receipts Pool	0	2	0	(2)	0	2	2
Precepts and levies	45	13	0	(59)	(1)	58	57
Support service recharges	2,671	49,061	779	(17,443)	35,068	1,234	36,302
<b>Total Operating Expenses</b>	<b>667,112</b>	<b>(46,701)</b>	<b>10,362</b>	<b>(53,435)</b>	<b>577,338</b>	<b>48,602</b>	<b>625,940</b>
<b>Surplus or deficit on the provision of services 2015/16</b>	<b>192,977</b>	<b>1,287</b>	<b>57</b>	<b>31,323</b>	<b>225,644</b>	<b>(184,994)</b>	<b>40,650</b>



### Amounts reported for resources allocation decisions (2014/15 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:

2014/15	Executive Office	Corporate Items	Transformation & Change	People Directorate	Place Directorate	Office of Director of Public Health	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & other service income	(105)	2,722	(13,824)	(25,532)	(34,289)	(3,846)	(74,874)
Government grants & contributions	(41)	(11,272)	(107,710)	(266,659)	(10,427)	(12,503)	(408,612)
<b>Total</b>	<b>(146)</b>	<b>(8,550)</b>	<b>(121,534)</b>	<b>(292,191)</b>	<b>(44,716)</b>	<b>(16,349)</b>	<b>(483,486)</b>
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
<b>Total</b>	<b>4,015</b>	<b>(64,857)</b>	<b>152,506</b>	<b>419,390</b>	<b>75,060</b>	<b>16,554</b>	<b>602,668</b>
<b>Net Cost of Services 2014/15</b>	<b>3,869</b>	<b>(73,407)</b>	<b>30,972</b>	<b>127,199</b>	<b>30,344</b>	<b>205</b>	<b>119,182</b>

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

Reconciliation to Net cost of services in Comprehensive Income and Expenditure Statement	£000
Net Cost of Services in Service Analysis as shown in the table above	119,182
Add Adjustments and Amounts not reported in Management accounts (including Tamar Bridge & 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
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>267,794</b>

### Reconciliation to subjective analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the comprehensive income and expenditure statement.

2014/15	Service Analysis	Adjustments & Amounts not in Management accounts	Services not in main analysis	Not incl in I&E	Net cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(73,596)	7,586	(10,254)	10,361	(65,903)	(18,900)	(84,803)
Government grants & 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)
<b>Total Income</b>	<b>(483,486)</b>	<b>118,676</b>	<b>(10,254)</b>	<b>22,388</b>	<b>(352,676)</b>	<b>(252,696)</b>	<b>(605,372)</b>
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 Non-Current 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
<b>Total Operating Expenses</b>	<b>602,668</b>	<b>(19,671)</b>	<b>10,246</b>	<b>27,227</b>	<b>620,470</b>	<b>49,630</b>	<b>670,100</b>
<b>Net Cost of Services 2014/15</b>	<b>119,182</b>	<b>99,005</b>	<b>(8)</b>	<b>49,615</b>	<b>267,794</b>	<b>(203,066)</b>	<b>64,728</b>

## 20. 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 2015/16, 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 a billing authority for Council Tax, acts as an agent on behalf of the Devon and Cornwall Police and Crime Commissioner and the Devon and Somerset Fire and Rescue Services. As a billing authority for Non Domestic Rates the Council acts as an agent on behalf of Central Government and the Devon and Somerset Fire and Rescue Service.

The Council includes a debtor or creditor in its Balance Sheet for deficits/surpluses on the Collection Fund attributable to these bodies 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 page [97](#).

### 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.

### 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.

### 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.

## 21. Pooled Budgets – Integrated Fund

On 1 April 2015 the Council entered into a pooled budget arrangement with Northern, Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG), under Section 75 of the NHS Act 2006, to enable an integrated approach to commissioning a range of health, public health and social care services to meet the needs of people living in the Plymouth area. The Integrated Fund is hosted by NEW Devon CCG on behalf of the two partners to the agreement.

Pooled Budget - Integrated Fund	2014/15	2015/16
	£000	£000
<b>PCC contribution to the pooled budget:</b>		
Pooled	0	168,141
Aligned	0	(34,678)
<b>Total</b>	<b>0</b>	<b>133,463</b>
<b>Total Combined Integrated Fund (incl. CCG)</b>	<b>0</b>	<b>482,815</b>

## 22. Members' Allowances

The Council made payments totalling £0.983m (2014/15: £0.937m) to its Members in the year made up as follows:

Analysis of Members Allowance	2014/15	2015/16
	£000	£000
Basic Allowance	581	591
Special Responsibility Allowance	354	390
Travel, subsistence and other expenses	2	2
<b>Total</b>	<b>937</b>	<b>983</b>

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

The Council is required to publish details of [payments made to its Members](#) and these can be found on the Council's website or you can obtain a copy, in writing, from the Democratic Support Officer, Directorate for Corporate Services, Ballard House, Plymouth PL1 3BJ.

## 23. Officers' Remuneration

### 23.1 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 2015/16.

Senior Management Post	Financial Year	Salaries	Fees & Allowances	Redundancy Payments	Pension Contributions	Total Remuneration	Notes
<b>Salary over £150,000</b>		£	£	£	£	£	
Tracey Lee - Chief Executive (Head of Paid Service)	2015/16	150,000	10,712	0	20,550	181,262	2014/15 and 2015/16 figures include payments for election duties.
	2014/15	150,000	9,653	0	20,550	180,203	
<b>Salary over £50,000 but less than £150,000</b>							
Strategic Director for People (Director of Children's Services and Director of Adult Social Services)	2015/16	129,699	307	0	17,769	147,775	
	2014/15	129,699	54	0	17,769	147,522	
Strategic Director for Place	2015/16	114,637	21	0	15,705	130,363	
	2014/15	114,637	54	0	15,705	130,396	
Strategic Director for Transformation and Change	2015/16	114,637	0	0	15,705	130,342	The position holder was appointed as Director of Transformation on 26/01/15.
	2014/15	20,955	0	0	2,871	23,826	
Director of Public Health	2015/16	109,057	21	0	15,595	124,673	The position holder was appointed on 01/04/2014.
	2014/15	103,499	0	0	10,636	114,135	
Assistant Chief Executive	2015/16	86,300	207	0	11,823	98,330	The position holder was appointed in the new position of Assistant Chief Executive on 01/06/2014.
	2014/15	70,929	54	0	10,225	81,208	

Senior Management Post	Financial Year	Salaries	Fees & Allowances	Redundancy Payments	Pension Contributions	Total Remuneration	Notes
Assistant Director and Head of Legal Services (Monitoring Officer)	2015/16	71,088	5,357	0	9,739	86,184	The Monitoring Officer position was taken over by The Head of Legal Services on 10/10/2014. The 2014/15 salary covers the period between 10/10/14 and 31/03/15.
	2014/15	35,196	48,167	0	4,822	88,185	
Assistant Director for Strategic Co-operative Commissioning	2015/16	86,300	0	0	11,823	98,123	
	2014/15	85,030	54	0	11,649	96,733	
Assistant Director for Economic Development	2015/16	86,300	21	0	11,823	98,144	
	2014/15	85,030	54	0	11,649	96,733	
Assistant Director for Learning and Communities	2015/16	99,694	0	0	13,658	113,352	
	2014/15	98,424	0	0	13,484	111,908	
Assistant Director for Children, Young People and Families	2015/16	91,697	21	0	12,563	104,281	
	2014/15	90,427	54	0	12,388	102,869	
Assistant Director for Strategic Planning and Infrastructure	2015/16	86,300	96	0	11,823	98,219	
	2014/15	85,030	0	0	11,649	96,679	
Assistant Director for Finance (Section 151 Officer)	2015/16	78,405	0	0	0	78,405	Position holder left on the 31/03/15. New position holder started 26/05/15.
	2014/15	85,030	0	0	11,649	96,679	
Assistant Director for HR and Organisational Development	2015/16	35,719	0	0	4,893	40,612	The post holder was appointed on 02/11/15.
	2014/15	0	0	0	0	0	
Assistant Director for Customer Services	2015/16	71,088	21	0	0	71,109	An acting AD was appointed for the period 01/11/13 to 06/07/14. The current post holder was appointed as the Assistant Director for Customer Services on 07/07/2014.
	2014/15	51,496	54	0	0	51,550	
	2014/15	18,548	0	0	2,541	21,089	
Head of Housing Services	2015/16	51,758	21	0	7,091	58,870	
	2014/15	0	0	0	0	0	
Head of Transformation Programme	2015/16	66,887	21	0	0	66,908	
	2014/15	0	0	0	0	0	

Senior Management Post	Financial Year	Salaries	Fees & Allowances	Redundancy Payments	Pension Contributions	Total Remuneration	Notes
Assistant Director for Homes and Communities	2015/16	0	0	0	0	0	Assistant Director for Homes and Communities left the Council on 31/01/2015. Salary for 2014/15 includes pay in lieu of leave. The post has been deleted.
	2014/15	89,284	0	34,443	12,155	135,882	
Assistant Director for Democracy and Governance	2015/16	0	0	0	0	0	The position holder was also the monitoring officer and left the Council on 09/10/14. The post was deleted. The monitoring officer position was taken over by the Head of Legal Services from 10/10/2014.
	2014/15	38,902	0	5,241	6,074	50,217	

\* 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	Total Expenditure	Notes
Director for Transformation (Interim)	2015/16	0	David Trussler left 24/10/14.
	2014/15	111,244	
Director of Public Health (Interim)	2015/16	0	Stephen Horsley left 04/04/14.
	2014/15	9,104	
Assistant Director for Street Services (Interim)	2015/16	150,878	Simon Dale started 23/12/2013.
	2014/15	168,556	
Assistant Director for HR & Organisational Development (Interim)	2015/16	78,771	Chris Squire left 31/03/15. Marion Fanthorpe started 05/05/15 and left 05/11/15.
	2014/15	50,917	
Head of Portfolio Office (Transformation)	2015/16	0	Sue Thomas left 24/10/14.
	2014/15	101,108	
Head of Business Technology Architecture (Transformation)	2015/16	0	Hugh Van Wijk left 24/10/14.
	2014/15	109,154	

### 23.2 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 do not include the senior management as disclosed in note [23.1](#).

Remuneration Bandings	2014/15		2015/16	
	Schools	Non schools	Schools	Non schools
£50,000 - £54,999	18	29	16	32
£55,000 - £59,999	18	14	18	12
£60,000 - £64,999	26	8	23	12
£65,000 - £69,999	10	3	13	2
£70,000 - £74,999	4	3	7	5
£75,000 - £79,999	2	3	3	1
£80,000 - £84,999	1	0	2	0
£85,000 - £89,999	1	1	0	0
£90,000 - £94,999	0	0	0	0
£95,000 - £99,999	1	1	2	0
<b>Total</b>	<b>81</b>	<b>62</b>	<b>84</b>	<b>64</b>



### 23.3 Employee exit packages

The authority incurred costs during 2015/16 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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
							£000	£000
£00,000 - £20,000	54	6	36	164	90	170	654	1,825
£20,001 - £40,000	8	3	0	22	8	25	205	590
£40,001 - £60,000	3	1	0	0	3	1	135	49
£60,001 - £80,000	1	0	0	0	1	0	60	0
£80,001 - £100,000	1	1	0	0	1	1	95	85
<b>Total</b>	<b>67</b>	<b>11</b>	<b>36</b>	<b>186</b>	<b>103</b>	<b>197</b>	<b>1,149</b>	<b>2,549</b>

The Authority terminated the contracts of a number of employees in 2015/16 including school based staff, incurring liabilities of £2.549m (2014/15 £1.149m). This includes a sum of £0.171m 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.

### 24. 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	2014/15	2015/16
Audit Area:	£000	£000
Fees payable to Grant Thornton & BDO with regard to external audit services carried out by the appointed auditor including Tamar Bridge and Torpoint Ferry Joint Committee	182	137
Fees payable to Grant Thornton & BDO for the certification of grant claims and returns	22	17
Fees payable in respect of other services provided by the appointed auditor.	9	0
<b>Total</b>	<b>213</b>	<b>154</b>

Note: PSAA Ltd appointed BDO LLP as external auditors for Plymouth City Council in 2015/16 (2014/15: Grant Thornton UK LLP).

## 25. Government grants

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

The Authority credited the following revenue grants to Service areas in 2015/16:

Government Grants Credited to Services	2014/15	2015/16
	£000	£000
Dedicated Schools Grant & Other Education Grants	(128,858)	(129,705)
Housing Benefit Subsidy	(101,920)	(101,437)
Public Health Grant	(12,276)	(13,932)
Learning and Skills Council	(4,227)	(3,738)
City Deal Grants	(3,668)	(1,974)
New Homes Bonus	(3,327)	(3,977)
Troubled Families Grant	(2,319)	(713)
Benefits Admin Grant	(2,138)	(1,517)
Plymouth Connect	(1,155)	(642)
Local Welfare Provision	(1,049)	(97)
Other Revenue Grants	(4,601)	(7,216)
<b>Total Revenue Grants Received</b>	<b>(265,538)</b>	<b>(264,948)</b>

The above revenue grants are in addition to the non-ring-fenced Government grants reported in note 8.

The Dedicated Schools Grant has been deployed in accordance with regulations made under section 45A, 45AA, 47, 48, 49 and 138(7) of, and paragraph 2B of section 14 to, the School Standards Framework Act 1998, and section 24(3) of the Education Act 2002.

Analysis of Dedicated Schools Grant		2014/15			2015/16		
		Central Expenditure	Individual Schools Budget	Total	Central Expenditure	Individual Schools Budget	Total
Note		£000	£000	£000	£000	£000	£000
A	Final DSG before Academy recoupment			179,099			183,090
B	Academy figure recouped			69,843			71,541
C	<b>Total DSG after Academy recoupment</b>			<b>109,256</b>			<b>111,549</b>
D	Brought forward from previous year			4,691			4,804
E	Carry-forward agreed in advance			0			0
F	Agreed initial budgeted distribution	14,904	99,043	113,947	16,151	100,202	116,353
G	In year adjustments		32	32	0	194	194
H	<b>Final budgeted distribution</b>	<b>14,904</b>	<b>99,075</b>	<b>113,979</b>	<b>16,151</b>	<b>100,396</b>	<b>116,547</b>
I	Less actual central expenditure	10,301		10,301	9,738		9,738
J	Less actual ISB deployed to schools		99,352	99,352		102,866	102,866
K	Plus Local Authority contribution	0	780	780	0	200	200
L	<b>Carry-forward</b>	<b>4,603</b>	<b>503</b>	<b>5,106</b>	<b>6,413</b>	<b>(2,270)</b>	<b>4,143</b>

- A. DSG figure as announced by the DfE in June 2015 (2014/15 July 2014)
- B. Figure recouped from the Authority in 2015/16 (2014/15) by the DfE for the conversion of maintained schools into Academies.

- C. Total figure after DfE Academy recoupment for 2015/16 (2014/15).
- D. Figure brought forward from 2014/15 (2013/14) as agreed with the DfE
- E. Amount which the Authority decided, after consultation with Schools Forum, to carry forward to 2016/17 rather than distribute in 2015/16 (2014/15).
- F. Budgeted distribution of DSG, adjusted for carry forward, as agreed with the Schools Forum.
- G. In-year adjustments for Individually Assigned Resources, exclusions and other contingency allocations to schools. Individual Schools Budget (ISB) also adjusted to reflect schools converting to academy status after 1 April 2015 (2014/15 | April 2014).
- H. Budgeted distribution of DSG as at the end of the financial year.
- I. Actual amount of central expenditure items in 2015/16, adjusted to show provision unspent.
- J. Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the Authority once it is deployed to schools budget shares).
- K. Any contribution from the Local Authority in 2015/16 which has the effect of substituting for DSG in funding the Schools Budget.
- L. Carry forward to 2016/17: For central expenditure – difference between final budgeted distribution of DSG and the actual expenditure. For ISB – difference between final budgeted distribution of DSG and the actual expenditure. Total – carry forward on central expenditure plus carry forward on ISB plus carry forward to 2016/17 agreed in advance.

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

Capital Grants and Contributions by Grant	2014/15	2015/16
	£000	£000
Big Lottery	(537)	(20)
Department for Transport	(12,718)	(4,407)
Department of Communities & Local Government	(937)	(4,000)
Department for Education and Skills	(7,935)	(11,588)
Department of Health	0	(715)
Homes & Communities Agency	0	(2,315)
Environment Agency	(1,178)	(103)
Other Grants and Contributions	(2,996)	(6,058)
<b>Total Grants &amp; Contributions Received</b>	<b>(26,301)</b>	<b>(29,206)</b>

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

<b>Capital Grants and Contributions recognised in the CIES</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Children's and Education Services	(5,138)	(3,661)
Housing Services	(1,089)	(1,197)
Other Grants and Contributions	(1,494)	(3,082)
<b>Total Recognised in the Surplus/Deficit on Continuing Operations</b>	<b>(7,721)</b>	<b>(7,940)</b>
Financing and Investment Income and Expenditure	(91)	(120)
<b>Total Recognised in the Surplus/Deficit on Continuing Operations</b>	<b>(7,812)</b>	<b>(8,060)</b>
Taxation and Non-Specific Grant Income	(18,489)	(21,146)
<b>Total Recognised in the (Surplus) or Deficit on Provision of Services</b>	<b>(26,301)</b>	<b>(29,206)</b>

## 25.2 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 2016 are £2.329m (2014/15 £5.196m). The Capital Grants received in Advance for the year ended 31 March 2016 are £33.603m (2014/15 £34.967m).

## 26. Related Party Transactions and Partnerships

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	Details of Arrangement	2014/15			2015/16		
		Receipts	Payments	Outstanding Balances / Commitments	Receipts	Payments	Outstanding Balances / Commitments
		£000	£000	£000	£000	£000	£000
<b>Subsidiaries, Associates and Joint Arrangements</b>							
<b>Subsidiaries</b>							
CATER <sup>ed</sup> Ltd (formerly Education Catering)	CATER <sup>ed</sup> is a co-operative trading company which is jointly owned by 67 local schools and Plymouth City Council. Plymouth City Council is the majority shareholder with 51% of the shares.	0	0	0	(1,185)	4,396	109
Plymouth Investment Partnerships Ltd (PIP)	PIP invests in the promotion, assistance and establishment of business to improve the employment and economy of Plymouth and its surrounding area. Plymouth City Council has full ownership of PIP.	(7)	0	(60)	(7)	0	(60)
<b>Associates</b>							
The PLUSS Organisation Ltd	Pluss is an award-winning Social Enterprise that supports thousands of people with disabilities and other disadvantages move towards and into employment each year. Plymouth City Council has a quarter share but local authority controlled.	0	639	(30)	0	595	5
<b>Joint Arrangements</b>							
DELTA Shared Services Ltd	DELTA provide ICT and systems to partners. DELTA is jointly and equally controlled and owned by Plymouth City Council and NEW Devon CCG.	(618)	2,208	0	(540)	7,703	5
Plymouth Science Park Ltd (formerly Tamar Science Park Ltd)	Plymouth Science Park is a science and technology park for businesses and provide provision of support, advisory and facilities management services. Plymouth Science Park is jointly and equally owned by Plymouth City Council and Plymouth University.	0	2	0	(50)	47	0
<b>Totals</b>		<b>(625)</b>	<b>2,849</b>	<b>(90)</b>	<b>(1,782)</b>	<b>12,741</b>	<b>59</b>

## Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (for example Housing Benefits). Details of transactions with Government Departments are set out in note [25](#).

## 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 70 declarations of Related Party Transactions for 2015/16, a response rate of 91 per cent.

## Other Interests in Companies

There are a number of companies which are also linked to the Council which fall under the definition of an assisted organisation. This includes the provision of financial assistance to voluntary organisations. However they are not considered material in financial terms.

Examples include Access Plymouth, Plymouth Citizens Advice Bureaux and the Shekinah Mission. Independent Futures, On Course South West (formally PACLS) and the Plymouth City Centre Company are examples of larger organisations supported by the Council.

In December 2015, the Council relinquished its shared ownership of PLUSS at nil consideration in order to enable the company to become a standalone company. At that point the Council's loan was repaid and its bank guarantee cancelled

- **Delt Shared Services Ltd**

Delt was launched 1 October 2014 and is a publicly owned private limited company (09098450). It was set up to deliver ICT services and systems to its partners; Plymouth City Council and Northern, Eastern, Western (NEW) Devon Clinical Commissioning Group. 2015/16 was the second year in which Delt was operational.

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

For more information about Delt and its financial performance, please visit its website: [Delt Shared Services Ltd](#)

- **CATER<sup>ed</sup>**

CATER<sup>ed</sup> is a co-operative trading company (09355912) which is jointly owned by Plymouth City Council and 67 local schools, providing all school meals in the city. CATER<sup>ed</sup> is 49 per cent owned by schools and 51 per cent by the council and serves almost 2.5 million meals to Plymouth school children every year. 2015/16 was the first year in which CATER<sup>ed</sup> was operational.

Plymouth City Council is the majority shareholder of CATER<sup>ed</sup> with 51% of shares and voting rights allocated one vote per share. The collaborative arrangement is classed as a subsidiary of the Council.

For more information about CATER<sup>ed</sup> and its financial performance, please visit its website: [CATER<sup>ed</sup>](#)

## Joint Committees

The Council is a member of a couple of joint committees where local authorities have joined together to provide a service. These are listed as follows:

- **Devon Audit Partnership**

From April 2009 Plymouth City Council set up a Joint Committee with Devon County Council and Torbay Council for the provision of a shared internal audit service. The service is also able to provide audit services to other organisations. This is a shared service arrangement and is constituted under section 20 of the Local Government Act 2000.

Devon County is the host Council for the Joint Committee with all staff now employed by Devon County Council. Assets and Liabilities of the Joint Committee are split on an agreed basis (number of FTE's on inception of the Committee); Plymouth's share equates to 27% and its contribution to the partnership for 2015/16 was £0.380m (2014/15 £0.338m).

#### ▪ **South West Devon Waste Disposal Partnership**

Plymouth City Council, Torbay Council and Devon County Council are now working together and have jointly contracted a PFI project for an Energy from Waste Plant (based in Plymouth) to dispose of residual waste collected by the three Councils. As part of the Joint Working Agreement between the three Councils the South West Devon Waste Partnership Joint Committee has been established to facilitate the procurement and subsequent operation and management of the facilities (by the selected contractor). The Plant became operational in April 2015.

Plymouth is the Lead Authority with the expenditure associated with this project is being incurred and then allocated on an estimated tonnage share basis to Torbay and Devon County Councils. Plymouth's share of the expenditure is reflected within the cost of services on the comprehensive income and expenditure statement.

For more information about external bodies which Plymouth City Council have an interest in please visit our website [PCC Outside Bodies](#)

## 27. Leases

### 27.1 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 2015/16 depreciation of £0.168m (2014/15: £0.221m) 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 15	31 March 16
	£000	£000
Current	45	39
Non-Current	1,682	1,643
Finance costs payable in future years	3,403	3,268
<b>Minimum lease payments</b>	<b>5,130</b>	<b>4,950</b>

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

Analysis of Leasing Obligations	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 15	31 March 16	31 March 15	31 March 16
	£000	£000	£000	£000
Not later than one year	181	171	45	39
Later than one year and not later than five years	677	674	169	178
Later than five years	4,272	4,105	1,514	1,465
<b>Total</b>	<b>5,130</b>	<b>4,950</b>	<b>1,728</b>	<b>1,682</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

## 27.2 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 15	31 March 16
	£000	£000
Not later than one year	877	863
Later than one year and not later than five years	2,950	2,666
Later than five years	5,542	5,139
<b>Total</b>	<b>9,369</b>	<b>8,668</b>

The minimum lease payment charged in the Comprehensive Income and Expenditure Statement during the year in relation to these assets was £0.745m (2014/15: £0.694m).

## 27.3 Authority as a lessor – operating leases/licenses

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 15	31 March 16
	£000	£000
Not later than one year	5,233	5,103
Later than one year and not later than five years	18,233	17,629
Later than five years	367,360	288,717
<b>Total</b>	<b>390,826</b>	<b>311,449</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The Council has also granted Delt Shared Services Ltd the right to operate and maintain the Council's ICT network using specific computer equipment under licence for processing the partnership's data and also to purchase any additional equipment as authorised by the Council to ensure business continuity in the delivery of the partnership's ICT services.



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

### 28.1 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 £5.356m was made in 2015/16 (2014/15: £5.333m). Payments remaining to be made under the PFI contract at 31 March 2016, 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 2015/16	2,021	839	2,496	5,356
Payable in 2016/17	2,060	902	2,426	5,388
Payable within two to five years	9,298	3,983	8,877	22,158
Payable within six to ten years	13,624	6,732	8,887	29,243
Payable within eleven to fifteen years	15,863	9,610	5,542	31,015
Payable within sixteen to twenty years	8,220	6,548	965	15,733
<b>Total</b>	<b>49,065</b>	<b>27,775</b>	<b>26,697</b>	<b>103,537</b>

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

Movement in PFI Liability	2014/15	2015/16
	£000	£000
Balance outstanding 1 April	29,440	28,614
Payments during the year	(826)	(839)
<b>Balance Outstanding 31 March</b>	<b>28,614</b>	<b>27,775</b>

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

### 28.2 South West Devon (SWD) Energy from Waste (EfW) Partnership

2015/16 was the first year of operation of the EfW public/private service concession arrangement whereby the SWD local authority partnership granted the right to MVV Umwelt (MVVU) the operator to treat and render inert waste that otherwise would have been disposed of in landfill sites. The SWD partnership comprising Plymouth City Council, Devon County Council and Torbay Council appointed MVVU under a fixed price contract to finance, construct and design the 245,000 tonne capacity facility and to maintain it to a minimum acceptable condition over a 50 year term.

PFI Outstanding Liabilities	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Total Payments to Operator in 2015/16	2,545	253	3,632	6,430
Payable in 2016/17	3,411	141	3,701	7,253
Payable within two to five years	14,950	719	14,628	30,297
Payable within six to ten years	21,386	2,416	17,645	41,447
Payable within eleven to fifteen years	25,660	5,126	15,826	46,612
Payable within sixteen to twenty years	29,684	11,165	11,503	52,352
Payable within twenty one to twenty five years	23,394	14,820	3,460	41,674
<b>Total</b>	<b>118,485</b>	<b>34,387</b>	<b>66,763</b>	<b>219,635</b>

The EfW facility is located on MOD land at Camel's Head, North Yard in Devonport Dockyard in Plymouth. The SWD partnership specifies the activities offered by the facility, the opening hours and the expected minimum standard of service to be provided by the operator. MVVU is required to receive all the residual waste from the defined area of the local authority partnership for which the councils are obliged to pay a fixed gate fee based on a guaranteed minimum tonnage of waste, with an additional charge for any extra waste delivered by the councils over and above the contractual waste.

Movement in PFI Liability	2014/15	2015/16 Plymouth Share	2015/16 Deferred Income
	£000	£000	£000
Balance outstanding 1 April	0	0	0
Additions in year	0	34,640	58,036
Payments during the year	0	(253)	(2,267)
<b>Balance Outstanding 31 March</b>	<b>0</b>	<b>34,387</b>	<b>55,769</b>

Under a separate 25 year agreement between the operator and the MOD, MVVU processes the waste to provide environmentally sustainable heat and electricity to HM Naval Base Devonport. Power is sold at a capped, index linked, guaranteed base price, with any surplus electricity being exported to the National Grid based on a long term Power Purchase Agreement (PPA) to a company within the MVV group.

The SWD partnership receives 50% of the income earned by EVVU from any excess waste it processes or any excess energy it supplies to third parties. EMVU 3rd party revenues are unrestricted and the SWD partnership is obliged to compensate the operator for any loss of third party income should the councils exceed their contractual maximum tonnage.

Income and expenditure, assets and liabilities are recorded in each of Plymouth City Council, Devon County Council and Torbay Council's Statements of Accounts respectively in the ratio 48:35:17: Plymouth City Council's share of the total construction costs of £195.324m is carried at depreciated replacement cost in its balance sheet as detailed in Note 9 (Property, Plant and Equipment) together with a corresponding liability.

## 29. 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.

## 29.1 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 2015/16, Plymouth City Council paid £6.036m to Teachers' Pensions in respect of teachers' retirement benefits, representing 12.13 per cent of pensionable pay. The figures for 2014/15 were £5.456m and 11.11 per cent. There were no contributions remaining payable at the year-end. In 2015/16 the minimum contribution was 7.4 per cent of salary, the maximum was 11.7 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 [29.2](#).

## 29.2 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	2014/15	2015/16
	£000	£000
<b>Cost of Services</b>		
Service cost comprising:		
Current Service Cost	20,658	23,399
Past Service Cost	337	264
(Gain)/loss from settlements	(6,793)	(8,621)
<b>Financing and Investment Income and Expenditure</b>		
Net interest expense	16,117	15,970
<b>Other Operating Expenditure</b>		
Administration expenses	303	236
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>30,622</b>	<b>31,248</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(30,009)	16,111
Actuarial gains and losses arising on changes in demographic assumptions	0	0
Actuarial gains and losses arising on changes in financial assumptions	146,505	(76,993)
Experience gain/(loss) on defined benefit obligation	313	(808)
Other (if applicable)	0	0
<b>Total Post-employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>147,431</b>	<b>(30,442)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus of Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(30,622)	(31,248)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contribution payable to scheme	19,618	17,859
Retirement benefits payable to pensioners	3,408	3,460
Adjustment re: net increase/(decrease) pre LGR pension Liability	(401)	1,455

### 29.3 Assets and liabilities in relation to post-employment benefits (PCC)

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	2014/15	2015/16
	£000	£000
<b>Opening balance at 1st April</b>	<b>(913,012)</b>	<b>(1,083,069)</b>
Current service cost	(20,658)	(23,399)
Interest cost	(40,101)	(34,649)
Change in financial assumptions	(146,505)	76,993
Change in demographic assumptions	0	0
Experience loss/(gain) on defined benefit obligation	(313)	808
Liabilities assumed / (extinguished) on settlements	13,159	20,493
Estimated benefits paid net of transfers in	28,088	28,183
Past service costs, including curtailments	(337)	(264)
Contributions by scheme participants	(5,484)	(4,991)
Unfunded pension payments	2,094	2,176
<b>Closing present value of liabilities</b>	<b>(1,083,069)</b>	<b>(1,017,719)</b>

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2014/15	2015/16
	£000	£000
<b>Opening fair value of scheme assets</b>	<b>539,882</b>	<b>582,125</b>
Interest income	23,983	18,679
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	30,009	(16,111)
Other actuarial gains/(losses)	0	0
Administration Expenses	(303)	(236)
Contributions from employer	19,618	17,859
Contributions from employees into the scheme	5,484	4,991
Benefits paid	(30,182)	(30,359)
Settlement prices received / (paid)	(6,366)	(11,871)
<b>Closing present value of Assets</b>	<b>582,125</b>	<b>565,077</b>
<b>Closing balance at 31 March</b>	<b>(500,944)</b>	<b>(452,642)</b>

## 29.4 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 £452.642m 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 2017 is £16.932m.

## 29.5 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	2014/15	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.8	22.9
Women	26.1	26.2
Longevity at 65 for future pensioners:		
Men	25.1	25.2
Women	28.4	28.6
Rate of inflation (CPI)	2.4%	2.4%
Rate of increase in salaries	4.2%	4.2%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	3.3%	3.7%

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)	(987,213)	1,017,719	1,049,199
Rate of increase in salaries (increase or decrease by 1%)	(1,015,757)	1,017,719	1,019,694
Rate of increase in pensions (increase or decrease by 1%)	(1,000,605)	1,017,719	1,035,165
Rate for discounting scheme liabilities (increase or decrease by 1%)	(1,036,913)	1,017,719	998,898

## 29.6 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 Mar 2015	31 Mar 2016
	%	%
Equities	74	71
Gilts	6	3
Property	13	15
Cash	2	2
Other investments	5	9
<b>Total</b>	<b>100</b>	<b>100</b>

**29.7 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:

<b>Pensions Assets and Liabilities Recognised in the Balance Sheet</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Present value of the defined benefit	1,041,968	980,075
Fair value of plan assets	(582,125)	(565,077)
<b>Net liability</b>	<b>459,843</b>	<b>414,998</b>
Other movements in the liability	41,101	37,644
<b>Net liability arising from defined benefit obligation</b>	<b>500,944</b>	<b>452,642</b>

## Pension information for Tamar Bridge and Torpoint Ferry Joint Committee (TB&TFJC)

### 29.8 Transactions in the Comprehensive Income and Expenditure Statement and Movement in Reserve Statement (TB and TFJC)

Comprehensive Income & Expenditure Statement	2014/15	2015/16
	£'000	£'000
<b>Cost of Services:</b>		
Service cost	337	430
<b>Financing &amp; Investment Income &amp; Expenditure:</b>		
Net interest expense	116	126
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>453</b>	<b>556</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(401)	(52)
Actuarial gains and losses arising on changes in demographic assumptions	0	0
Actuarial gains and losses arising on changes in financial assumptions	1,482	(1,040)
Experience gain/(loss) on defined benefit obligation	(32)	(83)
<b>Total Post-employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>1,502</b>	<b>(619)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus of Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(453)	(556)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contribution payable to scheme	283	306

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

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2014/15	2015/16
	£000	£000
<b>Opening balance at 1st April</b>	<b>(9,280)</b>	<b>(11,317)</b>
Current service cost	(337)	(430)
Interest cost	(402)	(366)
Contributions from scheme participants	(89)	(92)
Re-measurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	(1,482)	0
Actuarial gains/losses arising from changes in financial assumptions	0	1,040
Experience loss/(gain) on defined benefit obligation	32	83
Benefits paid	241	293
<b>Closing present value of liabilities</b>	<b>(11,317)</b>	<b>(10,789)</b>



Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2014/15	2015/16
	£000	£000
<b>Opening fair value of scheme assets</b>	<b>6,618</b>	<b>7,438</b>
Interest income	287	240
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	401	52
Contributions from employer	283	306
Contributions from employees into the scheme	88	92
Benefits paid	(239)	(293)
<b>Closing fair value of scheme assets</b>	<b>7,438</b>	<b>7,835</b>
<b>Closing balance at 31 March</b>	<b>(3,879)</b>	<b>(2,954)</b>

The liabilities show the underlying commitments that the Joint Committee has to pay in the long run to pay post-employment (retirement) benefits. The total liability of £2.954m 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 2017 is £0.318m.

### 29.10 Scheme History (TB&TFJC)

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

## 30. Contingent Assets and Liabilities

### 30.1 Contingent Assets

The Council has the following contingent assets to report:

#### Plymouth Airport

Plymouth City Airport is let on 150 year lease from 2004. The Council's Lessee served notice of its intention to close the airport in December 2010 because of continuing trading losses. On 23 August 2011 the Council's Cabinet accepted the notice of non-viability from the Lessee following receipt of three independent reviews of the airport business and options for its financial viability. The Airport closed for business in December 2011. The Council's freehold and the Lessee's leasehold interest are due to be merged and the former Lessee will then be responsible for obtaining planning permission and marketing the site. Any eventual net land disposals proceeds will be divided between the Council and the former Lessee 75%/25%. 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.

### 30.2 Contingent liabilities

The Council has the following contingent liabilities to report.

#### 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.

#### 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.

#### On Course South West CIC (formerly Plymouth Adult Community Learning Service)

The Council transferred its Plymouth Adult Community Learning Service to On Course South West CIC (a joint venture between Shekinah Mission and Plymouth YMCA) on 1 April 2015. This involved the TUPE transfer of 47 employees. As part of the transfer the Council has indemnified On Course South West CIC (OCSW) for all redundancy payments (limited to statutory and contractual only) arising out of the dismissal of any OCSW's employee by reason of redundancy where such dismissal takes effect in the period of five years immediately following the Transfer Date. The indemnity will over 5 years reduce on a sliding scale (e.g. 100% in year 1, 80% in year 2, 60% in year 3 etc).

The Council has also agreed to act as guarantor to OCSW under the Admissions Agreement under the LGPS and TPS. In respect of the TPS, the guarantee is limited to 3 years only and for the sum of £4,129.81 only. In respect of the LGPS it is intended that this guarantee is in place for a period of three years so as to enable OCSW build enough to reserves so that they are able to procure a bond instead. The Transfer Agreement states that OCSW and the Council shall use their best endeavours to terminate the LGPS guarantee on 31 March 2018.

#### Plymouth Community Healthcare CIC

On 1 April 2015 the Council transferred its Adult Social Care service to Plymouth Community Healthcare CIC (PCH). This involved the TUPE transfer of 171 employees. As part of the transfer, the Council agreed to act as guarantor under the Admission Agreement and enter into a risk share arrangement in relation to the pension liabilities.

In terms of pension risk share arrangements, the Council will be liable to PCH in respect of service deficit attributable to service up to the transfer date. Any exit debt (i.e. that which needs to be paid on termination of the Admission Agreement) that is attributable to service accrued after the transfer date would be the responsibility of PCH.

The Council is providing a guarantee and if PCH was to fail during the life of the contract and the pension fund cannot recover any or all of the exit debt from PCH, then the bill will fall back on the Council (as letting body) irrespective of whether it relates to service accrued before or after the transfer date.

### **RIF Loan Agreement**

In June 2010 Plymouth City Council (PCC) entered into a Funding Agreement with the South-West of England Regional Development Agency (SWRDA) for £7 million from the Regional Infrastructure Fund (RIF) towards the East End Transport Scheme (EETS). RIF is a recyclable fund that provides gap financing for key local infrastructure projects, to be refunded by developer contributions at a later stage.

There is no end date for paying off the full amount of the loan, but the agreement includes the right to review the repayment contributions if less than £2.4 million has been repaid by March 2016.

The Council has not made sufficient repayments, and HCA are now considering exercising their rights to increase the rate of Capital Contribution payments by the council. The Council are seeking to negotiate with HCA in respect of the repayments.

**COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2016**

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.

2014/15			Note	2015/16		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000	Income	£000	£000	£000
0	(105,314)	(105,314)	Council tax receivable	0	(109,418)	(109,418)
(90,594)	0	(90,594)	Business rates receivable	(88,416)	0	(88,416)
<b>(90,594)</b>	<b>(105,314)</b>	<b>(195,908)</b>		<b>(88,416)</b>	<b>(109,418)</b>	<b>(197,834)</b>
			Expenditure			
			Apportionment of previous year's surplus/(deficit)			
146	0	146	Central Government	(539)	0	(539)
143	1,518	1,661	Plymouth City Council	(528)	661	133
0	195	195	Devon & Cornwall Police & Crime Commissioner	0	53	53
3	90	93	Devon & Somerset Fire & Rescue Service	(11)	25	14
<b>292</b>	<b>1,803</b>	<b>2,095</b>		<b>(1,078)</b>	<b>739</b>	<b>(339)</b>
			Precepts, demands and shares			
43,953	0	43,953	Central Government	45,390	0	45,390
43,074	86,838	129,912	Plymouth City Council	44,483	90,407	134,890
0	11,144	11,144	Devon & Cornwall Police & Crime Commissioner	0	11,602	11,602
879	5,157	6,036	Devon & Somerset Fire & Rescue Service	908	5,369	6,277
<b>87,906</b>	<b>103,139</b>	<b>191,045</b>		<b>90,781</b>	<b>107,378</b>	<b>198,159</b>
			Charges to the Collection Fund			
0	0	0	Renewable Energy Disregard	102	0	102
414	562	976	Write offs of uncollectable amounts	711	966	1,677
253	891	1,144	Increase/(Decrease) in Bad Debt Provision	(229)	539	310
(40)	0	(40)	Increase/(Decrease) in Provision for Appeals	777	0	777
309	0	309	Cost of collection allowance	312	0	312
0	0	0	Interest on refunds	34	0	34
<b>936</b>	<b>1,453</b>	<b>2,389</b>		<b>1,707</b>	<b>1,505</b>	<b>3,212</b>
<b>(1,460)</b>	<b>1,081</b>	<b>(379)</b>	<b>(Surplus)/Deficit for the year</b>	<b>2,994</b>	<b>204</b>	<b>3,198</b>
			Collection Fund Balance			
550	(2,087)	(1,537)	Balance as at 1st April	(910)	(1,006)	(1,916)
(1,460)	1,081	(379)	(Surplus)/Deficit for the year (as above)	2,994	204	3,198
<b>(910)</b>	<b>(1,006)</b>	<b>(1,916)</b>	<b>Balance as at 31st March</b>	<b>2,084</b>	<b>(802)</b>	<b>1,282</b>
			Allocated to:			
(455)	0	(455)	Central Government	1,042	0	1,042
(446)	(885)	(1,331)	Plymouth City Council	1,021	(679)	342
0	(83)	(83)	Devon & Cornwall Police & Crime Commissioner	0	(87)	(87)
(9)	(38)	(47)	Devon & Somerset Fire & Rescue Service	21	(40)	(19)
<b>(910)</b>	<b>(1,006)</b>	<b>(1,916)</b>	<b>Total allocated</b>	<b>2,084</b>	<b>(806)</b>	<b>1,278</b>

## NOTES TO THE COLLECTION FUND

### 1. Council Tax Income

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based on an estimated 1 April 1991 value for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Devon and Cornwall Police and Crime Commissioner, Devon and Somerset Fire and Rescue Authority and the City Council for the forthcoming year and dividing this by the Council Tax base. The tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and estimated collection rates: 68,460 in 2015/16 (67,066 in 2014/15).

The basic amount of Council Tax for a Band D property (£1,568.46 for 2015/16) 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	43,977	27,274	18,175	98.5%	17,903
B	29,715	23,420	18,216	98.5%	17,943
C	20,915	18,351	16,312	98.5%	16,067
D	8,556	7,788	7,788	98.5%	7,671
E	4,466	4,182	5,111	98.5%	5,034
F	1,611	1,509	2,179	98.5%	2,146
G	519	487	812	98.5%	800
H	28	21	41	98.5%	40
	<b>109,787</b>	<b>83,032</b>	<b>68,634</b>		<b>67,604</b>
Adjustment for MOD Properties					856
<b>Tax Base Totals</b>			<b>68,634</b>		<b>68,460</b>

The Council Tax Base was calculated at the time the 2015/16 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 £107.377m (68,460 x £1,568.46). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £109.418m (2014/15: £105.314m) made up of £109.495m from Council Tax payers with a reduction of £0.077m 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 49.3p in 2015/16 (48.2p in 2014/15).

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 2015/16 were estimated before the start of the financial year as £44.851m to Central Government, £0.897m to DSFRA and £44.315m to Plymouth City Council. These sums have been paid during 2015/16 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 2015/16 Plymouth had a baseline amount of £52.946m and received a top-up of £9.162 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 £48.975m. As our adjusted retained income is above this level no safety net payment was due to Plymouth for 2015/16.

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 2016 the Council included a provision of £2.117m.

For 2015/16, the total non-domestic rateable value at the end of the year was £227.821m (£225.198m in 2014/15).

The total income from ratepayers in 2015/16 was £88.416m (£90.594m in 2014/15).

This sum included £0.178m 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 2015/16, £1.505m (2014/15: £1.453m) was contributed to the Account and £0.966m (2014/15: £0.562m) of irrecoverable debt was

written off. The bad debts provision for this year is £3.118m (2014/15: £2.579m) and the movement in the provision is shown below:

<b>Movement in Council Tax Allowance for Non-Collectability of Debt Account</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Balance brought forward 1 April	1,688	2,579
Write Offs	(562)	(966)
Contributions in year	1,453	1,505
Net change in provision	891	539
<b>Balance at 31 March</b>	<b>2,579</b>	<b>3,118</b>

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 £0.493m leaving a balance of £2.625m 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.

<b>Movement in NDR Allowance for Non-Collectability of Debt Account</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Balance brought forward 1 April	717	970
Write Offs	(414)	(711)
Contributions in year	667	482
Net change in provision	253	(229)
<b>Balance at 31 March</b>	<b>970</b>	<b>741</b>

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.

<b>Movement in NDR Allowance for Non-Collectability of Debt Account (Plymouth share)</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Balance brought forward 1 April	351	475
Write Offs	(203)	(348)
Contributions to provision	327	236
Net change in provision	124	(112)
<b>Closing balance at 31 March</b>	<b>475</b>	<b>363</b>

## 5. Provision for appeals

The Collection Fund account also provides for provision for appeals against the rateable value set by the VOA not settled as at 31 March 2016.

Movement in NDR Allowance for Appeals	2014/15	2015/16
	£000	£000
Balance brought forward 1 April	1,380	1,340
Provision used in year	(742)	(805)
Contributions to provision	702	1,582
Net change in provision	(40)	777
<b>Closing balance at 31 March</b>	<b>1,340</b>	<b>2,117</b>

The Council's proportionate share of the provision for appeals for this year is £1.037m (2014/15: £0.657m), the proportionate share of the preceptors are shown on the Balance Sheet as Debtors.

Movement in NDR Allowance for Appeals (Plymouth share)	2014/15	2015/16
	£000	£000
Balance brought forward 1 April	676	656
Provision used in year	(364)	(394)
Contributions to provision in relation to prior years	344	775
Net change in provision	(20)	381
<b>Closing balance at 31 March</b>	<b>656</b>	<b>1,037</b>

## 6. Distribution of Collection Fund Surpluses and Deficits

The net accumulated surplus on the Collection Fund at 31 March 2016 amounts to £1.278m (2014/15: 1.916m) with £0.803m surplus relating to Council Tax collection, £0.003m surplus relating to Community Charge and £2.084m deficit 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 2016/17 and 2017/18 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 2017/18.

The £0.803m surplus is apportioned as follows: Plymouth City Council £0.676m, Devon and Cornwall Police and Crime Commissioner £0.087m and Devon and Somerset Fire and Rescue Authority £0.040m.

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 2017/18.



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## 1. Scope of Responsibility

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

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Plymouth City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Council's functions, and which includes arrangements for the management of risk.

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

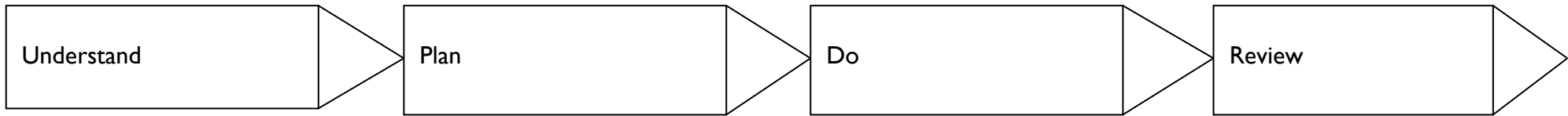
## 2. The Purpose of the Governance Framework

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

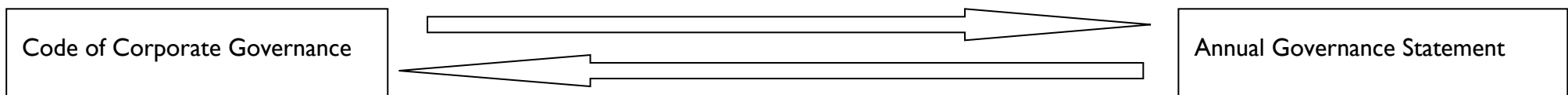
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The governance framework has been in place at Plymouth City Council for the year ended 31 March 2016 and up to the date of the approval of the Annual Report and Statement of Accounts.

### 3. Assurance Cycle



What are we seeking to receive assurances on?	What sources of assurance do we require?	How we will arrange ourselves to receive adequate assurances?	How we know that we are effective?
<ul style="list-style-type: none"> <li>▪ Delivery against the corporate plan whilst observing the governance framework</li> <li>▪ Management of the Council’s key risks</li> <li>▪ Design and effectiveness of internal controls</li> <li>▪ Compliance with laws, regulation, internal policies and procedures</li> <li>▪ Key governance tools are fit for purpose, e.g. the performance management and risk management framework</li> <li>▪ Value for money</li> <li>▪ Direction of travel of previous governance issues</li> <li>▪ Effectiveness of the system of Governance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Internal Audit Annual Plan</li> <li>▪ External Audit Annual Plan</li> <li>▪ Ofsted and Care Quality Commission</li> <li>▪ Other external agencies</li> <li>▪ Management assurances from active compliance frameworks</li> <li>▪ Committees/Internal Boards responsible for monitoring and reviewing the systems, processes and documentation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Officer and Member structures working together</li> <li>▪ Senior Management Teams working closely with Executive Roles</li> <li>▪ Decision-making bodies</li> <li>▪ Scrutiny Committees</li> <li>▪ Audit Committee</li> <li>▪ Project Boards</li> <li>▪ Constitution</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review sources of assurance identified at the planning phase</li> <li>▪ Review Annual Reports that provide further insight such as; scrutiny committee report, audit committee annual report, task and finish groups</li> <li>▪ Ensuring sources of assurances have delivered against their plans at the necessary quality</li> <li>▪ Internal and External Audit Reports</li> <li>▪ Highlight areas of weakness, development and implement action plans</li> </ul>



#### 4. The Governance Framework

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is on our website under “Constitution”. Included within this framework are six core principles of governance:

Principle one	Description of governance mechanisms	Assurances received
<p>Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area</p> <p>Plymouth’s vision:- Britain’s Ocean City – to be one of Europe’s most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone.</p>	<ul style="list-style-type: none"> <li>▪ Members, working with officers, have developed a clear vision of their purpose and intended outcomes for citizens and service users.</li> <li>▪ Corporate Plan 2016/17.</li> <li>▪ The Plymouth Plan which looks ahead to 2031.</li> <li>▪ Thrive Plymouth is a 10 year programme to reduce health inequalities and is addressing four behaviours (poor diet, lack of exercise, tobacco use and excess alcohol consumption).</li> <li>▪ The Joint Commissioning Partnership is the single strategic commissioning body for the City of Plymouth. It considers and approves commissioning plans in line with the priorities identified in the Joint Health and Wellbeing Strategy, and ensures a coordinated and consistent approach to commissioning services on behalf of partner agencies in Plymouth.</li> <li>▪ 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.</li> <li>▪ A staff survey was carried out to gauge employee satisfaction and assist in improving the organization for employees as a place to work and consequently improve how the organisation performs.</li> <li>▪ The Council is jointly responsible (with Cornwall Council) for the operation of the Tamar Bridge and Torpoint Ferry (TBTF) Joint Committee which brings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual Report communicates Council’s activities and achievements, its financial position and performance.</li> <li>▪ Staff Survey 2015.</li> <li>▪ The Corporate Plan provides the framework used by departments in developing their business plans which establish and monitor the achievement of objectives at service and team level. It also sets out how each service is implementing the Council’s principles laid out in the Corporate Plan.</li> <li>▪ The Plymouth Plan is a ground-breaking concept which aims to undertake a review of the Plymouth Core Strategy and to take advantage of changes introduced by the Localism Act to create a Local Plan which integrates all of the other strategies produced by the Council into one Plan for Plymouth. The Plymouth Plan is generating national interest and won the Royal Town Planning Institute (RTPI) Award in 2015.</li> <li>▪ Thrive Plymouth aims to reduce health inequalities across the city by focusing on prevention that encourages and enables health choices by influencing the context within which those choices are made.</li> <li>▪ Devon Audit Partnership (DAP) Audit Plan linked to the overall objectives of the Council and the risks to their achievement.</li> <li>▪ Joint Commissioning Partnership meet Bi-monthly and receive regular progress and performance reports from commissioning managers. Also produce regular reports to the Health and Wellbeing Board.</li> <li>▪ External Audit findings reported that they were satisfied that in all significant respects the Council has put in place proper</li> </ul>

Principle one	Description of governance mechanisms	Assurances received
	<p>with it a 50 per cent share of any future liabilities. However, from a governance point of view, the TBTF Joint Committee produces and monitors its own Governance arrangements, including the preparation of a separately published Annual Governance Statement covering the operations of the Joint Committee.</p> <ul style="list-style-type: none"> <li>▪ From 2015/16 the Council and NHS N.E.W. Devon Clinical Commissioning Group (CCG), as part of their overall transformation programme, created the Plymouth Integrated Fund by pooling or aligning the vast majority of the People Directorate budget and the Public Health commissioned services budget to form a fully integrated health and social care commissioning budget. This has been implemented via a Section 75 Agreement under the NHS Act 2006. The Plymouth Integrated Fund has a combined net budget of circa <b>£482m</b> in 2016/17. The Transformation Programme is investing £14.7 million over 3 years to bring about more than £54.3 million gross benefits. A full review of the Human Resources, Finance and Corporate Services is underway identifying new ways of working to reflect the changing requirements of the organisation; in particular, supporting the advent of more commissioned and shared frontline services. Utilising information technology, we will enable the business to access real time management information using core systems. Modernising our processes will make us more efficient and enable us to reduce our staffing and other associated support costs. Included within the Finance review are plans to strengthen the approach to making the Council more commercially focused.</li> <li>▪ Included in the Corporate Services review will be the consideration of an Integrated Assurance Service, bringing together teams from Audit, Risk &amp; Insurance, Fraud and Health &amp; Safety to have an integrated compliance function. This new function would provide a</li> </ul>	<p>arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.</p> <ul style="list-style-type: none"> <li>▪ The Constitution aids the financial management of the Authority and is complemented by Financial Regulations and Standing Orders, which document protocols and procedures for members and officers in conducting the business of the Council.</li> <li>▪ The day to day operation of the Treasury Management activity is carried out in accordance with detailed Treasury Management Practices (TMP's).</li> <li>▪ Joint Plymouth City Council/NEW Devon CCG Risk Management Policy Framework</li> <li>▪ Code of Corporate Governance reviewed annually as part of the preparation of this Governance Statement.</li> <li>▪ At the end of 15/16 financial year the Transformation Programme has achieved £28.7 million gross benefits.</li> <li>▪ The Transformation Portfolio Risk Register is reviewed monthly and reported to the Portfolio Board.</li> <li>▪ Journals with a value of &gt;£500k have been authorised by either Head of Corporate Strategy or Head of Finance Operations.</li> </ul> <p><b>Weakness Identified:</b></p> <p>Devon Audit Partnership (DAP) identified weaknesses within the Domiciliary Care payment process with regard to overpayments and lack of service package authorisation. Provider contracts and report parameters have been reviewed and changes to payment processes and contract terms have been implemented to mitigate the risks.</p>

Principle one	Description of governance mechanisms	Assurances received
	<p>slicker, joined up management tool for the business, reducing the volume of compliance testing needed across the individual support functions whilst, also, creating a combined service that will have income generation potential.</p> <ul style="list-style-type: none"> <li>▪ The Children's Social Care Improvement Plan forms part of the Transformation Programme and will be delivered as part of Children and Young People Service Project within the Integrated Health and Well Being Programme.</li> </ul>	
Principle two	Description of governance mechanisms	Assurances received
<p>Members and Officers working together to achieve a common purpose with clearly defined functions and roles</p>	<ul style="list-style-type: none"> <li>▪ Elected Members are collectively responsible for the governance of the Council. Decision making and scrutiny of these decisions has been separated through the executive arrangements introduced by the Local Government Act 2000.</li> <li>▪ The Constitution includes a statement on the roles of the Executive and Scheme of Delegation in place.</li> <li>▪ The Department for Children's Services (DCS) has a politically restricted statutory chief officer in post who reports directly to the Chief Executive.</li> <li>▪ A Local Assurance Test (LAT) has been produced to ensure that the structure for the DCS element of the People Directorate and its organisational arrangements enable the local authority, through the Strategic Director for People role, to fulfil its statutory duties towards children and young people effectively</li> <li>▪ Statutory Officers are also documented within the Constitution. The Chief Executive (Head of Paid Service) is documented within the Constitution and works with Members and Strategic Directors to deliver the council's themes.</li> <li>▪ A Local Government Association Team spent a week</li> </ul>	<ul style="list-style-type: none"> <li>▪ Devon Audit Partnership Report findings gave a satisfactory assurance assessment over the fundamental and key financial systems and satisfactory assurance assessment over system of internal control.</li> <li>▪ DAP carried out an independent review of the responses to and the evidence supporting the LAT and concluded that overall the responses addressed the majority of points included in the self-assessment and these were suitably evidenced.</li> <li>▪ Audit Committee in place providing independent oversight of internal control environment and corporate governance.</li> <li>▪ External Audit findings are reported to Audit Committee.</li> <li>▪ Peer challenge group found that the Council has a clear and compelling vision for the City.</li> <li>▪ Plymouth Plan Working Group</li> <li>▪ Housing Needs Working Group</li> <li>▪ Corporate Parenting Working Group</li> <li>▪ Constitution, Civic and Member Development Working Group</li> <li>▪ Transformation Advisory Group</li> <li>▪ Child Poverty Working Group</li> </ul>

Principle two	Description of governance mechanisms	Assurances received
	<p>with the Council carrying out a peer challenge to assess as ‘critical friends’ our plans, priorities, performance and leadership</p> <ul style="list-style-type: none"> <li>▪ Role of the Chief Finance Officer (s.151 officer), as documented in the Constitution, has responsibility for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and maintaining an effective system of internal financial control.</li> <li>▪ The Monitoring Officer is in place and, in accordance with the Constitution, is responsible for ensuring agreed procedures are followed and that all applicable statutes and regulations are complied with.</li> <li>▪ Formal procedures and rules govern the Council’s business; Constitution, Scheme of Delegation and procedure rules such as financial regulations, etc.</li> <li>▪ There is an annual process to review and agree the Pay Policy in accordance with the Localism Act section 38(1).</li> </ul>	<ul style="list-style-type: none"> <li>▪ City Council Investment Board</li> </ul>
Principle three	Description of governance mechanisms	Assurances received
<p>Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p>	<ul style="list-style-type: none"> <li>▪ The Council recognizes that good governance is underpinned by shared values demonstrated in the behaviour of its Members, staff and partners.</li> <li>▪ The Assistant Director and Head of Legal Services is the Monitoring Officer responsible for ensuring that decisions are made in accordance with the Constitution.</li> <li>▪ Directors have the primary responsibility for ensuring that decisions are properly made in line with the Scheme of Delegation. Standards of conduct and behaviour expected of Members and Officers exist and are communicated. Training programs were in operation during the year to support good governance.</li> <li>▪ The Members Code of Conduct and Protocol on</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annual Staff ‘Star’ Awards.</li> <li>▪ Scheme of Delegation in place.</li> <li>▪ Staff Appraisals carried out annually.</li> <li>▪ Equalities Policy in place.</li> <li>▪ New employees’ induction scheme and buddy system.</li> <li>▪ Whistle blowing policy.</li> <li>▪ In house training</li> </ul>



Principle three	Description of governance mechanisms	Assurances received
	<p>Member/Officer Relations forms part of the Constitution.</p> <ul style="list-style-type: none"> <li>▪ Arrangements are in place for Members and Officers to register interest and manage conflicts of interest.</li> </ul>	
Principle four	Description of governance mechanisms	Assurances received
<p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>	<ul style="list-style-type: none"> <li>▪ The Council has processes in place to demonstrate that decision makers followed due process, the decisions were properly documented and were taken having regard to all relevant considerations.</li> <li>▪ Decision making is supported by embedded risk management arrangements, with the Risk and Opportunity Management Strategy and Policy Statement reviewed annually.</li> <li>▪ Risks are considered quarterly by Corporate Management Team, Cabinet Planning and Audit Committee.</li> <li>▪ The Council's arrangements for providing economy, efficiency and effectiveness are reviewed by the external auditors on an annual basis. Their Annual Report provides a summary of the activity undertaken during the year.</li> <li>▪ An effective Audit Committee is in place whose purpose is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process. The Audit Committee has two independent members.</li> <li>▪ The Chief Internal Auditor supports the Audit Committee and reviews its effectiveness on an annual basis.</li> <li>▪ The internal Audit plan is based on the high risks reported within the risk registers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overview and Scrutiny Annual Report</li> <li>▪ Devon Audit Partnership Audit Report</li> <li>▪ External Audit findings reported to Audit Committee</li> <li>▪ Risk and Opportunity Management Strategy – Risks monitored quarterly and monitoring results ratified by Audit Committee</li> <li>▪ Operational Risk Management Group</li> <li>▪ Risk and Opportunity Management Annual Report</li> <li>▪ Plymouth City Council/NEW Devon CCG joint risk register</li> <li>▪ Benchmarking</li> <li>▪ Information Lead Officer Group in place to direct work streams within the overall governance of information assets.</li> <li>▪ Management of Information Security Forum in place to ensure there is clear direction and visible management support for security initiatives.</li> <li>▪ Annual report of the Plymouth Safeguarding Children Board</li> </ul> <p><b>Weakness identified:</b></p> <p>Issues were identified within Print and Document Services relating to the physical security of the service accommodation. Following recommendations made by Devon Audit Partnership (DAP) immediate action was taken by management to secure print runs which are not dispatched the same day.</p>

Principle four	Description of governance mechanisms	Assurances received
	<ul style="list-style-type: none"> <li data-bbox="495 199 1249 368">▪ The Constitution makes it clear that management have the responsibility for operating a sound system of internal control. Internal Audit collaboratively works with services to make recommendations around improvement to the control environment.</li> <li data-bbox="495 384 1249 520">▪ The Corporate Fraud Team fulfils the Council’s statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.</li> <li data-bbox="495 536 1249 743">▪ The chief auditor has overall responsibility for the maintenance and operation of the whistleblowing policy. This includes monitoring the policy and maintaining a record of the concerns raised and the outcomes, which will be reported to the audit committee as necessary in an anonymised format.</li> <li data-bbox="495 759 1249 999">▪ The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures and a structure of delegation and accountability. The Medium Term Financial Strategy is updated each year and includes a risk assessment of budget option, the Medium Term Financial Strategy is agreed by Full Council.</li> <li data-bbox="495 1015 1249 1118">▪ Children’s Safeguarding – The Local Safeguarding of Children Board has full partner engagement and its work and records are published and accessible.</li> <li data-bbox="495 1134 1249 1230">▪ Adults’ Safeguarding – The Adult Safeguarding Board has full partner engagement and its work and records are published and accessible.</li> </ul>	

Principle five	Description of governance mechanisms	Assurances received
Developing the capacity and capability of Members and Officers to be effective	<ul style="list-style-type: none"> <li>▪ A staff survey was carried out to gauge employee satisfaction and assist in improving the organization for employees as a place to work and consequently improve how the organisation performs.</li> <li>▪ Induction training is carried out for new Members and employees.</li> <li>▪ eLearning Training utilized.</li> <li>▪ Apprenticeship Programme.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Staff Appraisal process gives assurances that staff are carrying out their work in accordance with Council priorities and objectives.</li> <li>▪ Staff Survey 2015.</li> <li>▪ Benchmarking undertaken.</li> <li>▪ Won the Large Employer of the Year in the Apprenticeships 4 England Award 2015.</li> <li>▪ Awarded Strategic Award 2015 by the Association of Local Authority Risk Managers (ALARM) for implementing a new corporate information governance approach following an information security breach.</li> <li>▪ Annual Staff 'Star' Awards.</li> <li>▪ Finalist in MJ Awards - Innovation in Finance - Enabling Community Share Capital. (Low Carbon City Team/PEC and PEC Renewables).</li> </ul>
Principle six	Description of governance mechanisms	Assurances received
Engaging with local people and other stakeholders to ensure robust public accountability	<ul style="list-style-type: none"> <li>▪ The Council is committed to engaging and consulting with citizens about our services. A range of tools for effective engagement are used.</li> <li>▪ There is a formal process for corporate complaints as well as Children's and Adults Statutory complaints.</li> <li>▪ The Health and Wellbeing Board framework has been informed by engaging with the public through surveys and visiting communities.</li> <li>▪ Committee agendas and minutes (Part 1) are published on the Council's website.</li> <li>▪ Most Committee meetings including Full Council and Cabinet are webcast as part of our drive to make our decision making more open and transparent.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Council has commissioned a local voluntary and community provider to facilitate and support the development of time banks.</li> <li>▪ Plymouth libraries have been commissioned to provide health and social care information hubs.</li> <li>▪ Complaints process is managed and tracked on CRM system and enables regular reporting on performance to senior management.</li> <li>▪ Quality Assurance Improvement Team (QAIT) working with 'Healthwatch' Plymouth in order to gain independent feedback from residents and relatives of care homes.</li> <li>▪ We commissioned a new contract to deliver advocacy services to vulnerable and disabled people in the city and have dealt with 956 referral and advocacy cases during the year.</li> </ul>

Principle six	Description of governance mechanisms	Assurances received
	<ul style="list-style-type: none"> <li>▪ 1000 Club and plan for jobs is an initiative led by Plymouth City Council Employment Sub Group, whose membership is made up from the private and public sector to support young people into employment. It aims to identify 1000 companies in the Plymouth area to commit to providing a range of jobs, apprenticeships, graduate internships and work experience.</li> <li>▪ In May 2014 Council's Cabinet set out 50 new pledges that link to its Corporate Plan priorities. The commitments are themed around 10 priority areas focusing on: the economy and jobs, tackling crime and antisocial behaviour, supporting children and young people, the environment, transport, housing, culture and sport, improving the image and vision for the city, caring for residents whatever their age and being an open and transparent council.</li> <li>▪ Waste Collection Re-organisation Project created to provide a more streamlined, transparent and focused service.</li> <li>▪ The 'Framework for Working with Citizens and Communities' has been adopted as an approach to be taken by the Council, and was developed with input from the Plymouth Fairness Commission.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Collaborative working with community and voluntary sector to develop funding bids drawing in external funding to the city.</li> <li>▪ To make it easy to track progress on delivering 50 new pledges they will be updated on a chart on the Council's website as they are delivered.</li> <li>▪ Extended opening hours at the First Stop Shop in New George Street, Register Office, four main libraries and the Contract Centre.</li> <li>▪ 1000 Club, which was set up through the Plymouth Growth Board aims to make it easier for young people and employers to team up – over 800 organisations and businesses have signed up.</li> <li>▪ Four Greens Community Trust – an empty care home in Whitleigh is being turned into a business and community hub.</li> <li>▪ Our project to re-route Plymouth's refuse rounds to make them more efficient was awarded the Best Efficiency and Transformation Initiative in the 2015 APSE Awards</li> <li>▪ 5% reduction in quantity of waste disposed of.</li> <li>▪ The Plymouth Plan early engagement processes used many different ways to capture people's views and opinions across the city</li> <li>▪ We are one of seven cities to have been selected as a City of Service to organise volunteers to tackle local problems.</li> </ul>

## 5. Review of Effectiveness

Plymouth City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council is subject to a number of audits and inspections. These help to inform the development of a strong control environment and to develop risk management processes. The Council has an established Risk and Opportunity Management Policy.

In reviewing the current control environment, reports issued by external bodies (Audit and Inspection) and reports produced by Internal Audit (Devon Audit Partnership) have been reviewed to ensure that a comprehensive assessment of the current control issues has been made and that all potential areas of significant risk are being addressed within the internal control environment.

Directors complete an Assurance Questionnaire reviewing the control environment within their Department and the results of the questionnaires have been used to inform the assessment of significant governance issues for the Council.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## 6. Significant Risk Issues

The Council records the significant risks identified as potential threats to the delivery of its objectives within Strategic and Operational risk and opportunity registers and incorporate mitigation controls within action plans. Risks are formally monitored alternately every six months and reported to Corporate Management Team, Cabinet (for Strategic risks) and Audit Committee.

This table describes the significant risk issues identified during 2014/15 and the progress made against these during 2015/16:

Key Risk Area	Lead Officer	Update on position	Carry forward for 2016/17	Reporting Through
<b>Medium Term Financial Strategy (MTFS)</b> – The MTFS covers the likely revenue costs and pressures that the council will face and matches these against the anticipated resource allocation over the period against reduced funding. It also identifies the Transformation strands being undertaken plus other significant work streams, and sets out the anticipated savings these plans will generate. The MTFS includes our Capital Programme and funding sources, plus an overview of our Treasury management Strategy.	Asst. Director for Finance	The Council is adopting a balanced 2016/17 revenue (which includes a drawdown from existing reserves and provisions) and capital budget and the development of an Medium Term Financial Strategy (MTFS) to 2019/20.  PCC Finance and People Directorate Senior Management Team are working in collaboration with the NHS Success Regime to ensure the Plymouth Integrated Fund is not compromised.  Finance is working with Corporate Management Team to improve the production of the budget and MTFS reviewing what went well and what could be improved.  Corporate Management Team and Cabinet will continue to receive monthly monitoring reports identifying risks and pressures leading to the consideration of proposals for corrective action.	Yes	Full Council
<b>Being unable to deliver Council services</b>	Strategic Director	Progress reported within monthly finance reporting to	Yes	Transformation

Key Risk Area	Lead Officer	Update on position	Carry forward for 2016/17	Reporting Through
<p><b>within the envelope of the resources provided in 2016/17</b> leading to negative impact on budgets, loss of reputation, negative impact on front line services and a negative opinion from external audit. (Formerly called Transformation Programme)</p>	<p>for Transformation &amp; Change</p>	<p>cabinet members and scrutiny board.</p> <p>Improved Member engagement in Budget process and earlier in Medium Term Financial Plan setting process by having regular Member briefings.</p> <p>Budget presented to senior officers and members in a different format, delivering greater transparency and challenge.</p> <p>Higher profile of Council's finances at both Corporate Management Team and Cabinet.</p> <p>Budget sessions at Department Management Teams.</p>		<p>Portfolio Board; Scrutiny Panels and Cabinet</p>
<p><b>The Council not meeting its obligations to keep citizen data secure</b>, or provide and display information in line with statutory requirements. The consequence can be a financial penalty and/or reputational damage resulting in loss of trust in the Council which will affect the ability of the Council to work efficiently and effectively with the public, contractors or partner organisations (formerly Information Governance)</p>	<p>Strategic Director for Transformation and Change</p>	<p>Staff awareness training has been developed.</p> <p>Effective security incident reporting and management.</p> <p>Escalation of breaches to Management of Information Security Forum (MISF) and Senior Information Risk Owner (SIRO)</p>	<p>Yes</p>	<p>Audit Committee</p>
<p><b>Failure to reduce Health Inequalities</b> will mean our poorest residents continue to live shorter lives as well as more years in ill health. This risk impacts the city's growth ambitions as well as the sustainability of the health and social care system through increased demands on welfare care, support and health services. Further risk of failing to achieve the city's vision where "an outstanding quality of life is enjoyed by everyone" and the key Caring Plymouth objective to reduce health and social</p>	<p>Director of Public Health</p>	<p>Thrive Plymouth framework adopted by full council and reading across in Plymouth Plan and Integrated Commissioning Strategies provides good foundation to achieve prevention in all services and decision making processes. Work with major employers and schools in 2014/15 and 2015/16 seek to embed an understanding and focus to reduce health inequalities reaching thousands of employees and children and young people via schools.</p>	<p>Yes</p>	<p>Health and Wellbeing Board</p>

Key Risk Area	Lead Officer	Update on position	Carry forward for 2016/17	Reporting Through
inequalities.				
Risk of increased poverty/hardship as a result of the <b>impact of Welfare Reform</b> on our customers including e.g. increase in in-work housing benefit claimants and reductions in Emergency & Welfare Fund. Also risk of stress to staff dealing with customers affected by cuts	Head of Neighbourhood and Community Services	Welfare Reform Framework adopted. Impact of welfare reform continues to be monitored and discretionary welfare schemes reviewed. Plans implemented and strategies in place to create jobs. Support continues to Credit Unions	Yes	Cabinet
<b>Deterioration of Highways Network</b> – The condition and the perception of the road network across the city is poor and customer satisfaction points to a position where many believe the network to be in an unacceptable condition. Bad weather, extremes of cold and wet over the past few years have exacerbated the situation.	Strategic Director for Place	Despite significant funding challenges we spent more than £8 million on road repairs in 2015/16 and started a resurfacing programme that will treat two thirds of the city's main roads over the next three years. We also won a national award for improving public satisfaction with the condition of our roads – achieving the best improvement out of 88 councils across the UK that took part in the National Highways and Transport Survey. Between January and June 2015 our highways contractor Amey received just 867 reports or complaints about potholes, compared to 4,299 for the same period in 2014 – a drop of 80%	No	Cabinet
<b>Delivery of sustained and accelerated economic population growth in line with the Council's Corporate Plan and vision for the City</b> - The Council is working on several strategic projects and strategies that help to deliver the city's growth agenda.	Strategic Director for Place	We have put in place a series of economic development measures. These include for People - 1000 Club, Building Plymouth, Urban Enterprise Programme, Manufacturers Challenge. Place regeneration we have undertaken direct development (Hearder Court) signed a City Deal, embarked on Plymouth Science Park phase 5. Business Support we have set out a 2.5 million social enterprise investment fund, supported the Gain Growth Fund. As part of City Deal and to stimulate economic growth,	Yes	Cabinet

Key Risk Area	Lead Officer	Update on position	Carry forward for 2016/17	Reporting Through
		the Council is progressing with the major regeneration of South Yard to become a marine industry campus entitled Oceansgate. Land is being transferred from the MoD in phases with investment in new infrastructure and buildings already underway with works due to start on site in late summer 2016 which will progress over many future years. The site has recently been designated as an Enterprise Zone and it is anticipated that once completed Oceansgate will create up to 1,200 new jobs and up to 24,000m <sup>2</sup> of employment space.		
<b>Ensuring the resources and capacity to deliver major capital transport schemes is in place to deliver effectively</b> – The Council is working on several strategic projects and strategies that help to deliver the city’s growth agenda and is exploring delivery options for the city’s key sites.	Strategic Director for Place	We have secured investment of £12.7 million to help improve traffic flow in Derriford, £1.4 million to improve public transport facilities at Derriford Hospital, £2.1 million for junction improvements to improve traffic flow to the east of the city and £2.46 million to improve walking and cycling facilities in the north of the city. We are finalising the business cases for a further £22.5 million of Growth Fund to create a new strategic link to the north of the city, £2.1 million to improve junctions between the north of the city centre and £3.4 million to improve walking and cycling in the city centre and to the east of the city. £3.5 million of investment has already created the Laira Bridge bike link over the Plym and £1 million was secured for the new Marjons Link Road.	Yes	Cabinet
Failure to jointly procure the <b>Highway maintenance contract</b> - failure to jointly procure between Devon and Somerset County Councils and Plymouth City Council leading to higher costs and damage to reputation	Strategic Director for Place	Fall back options are currently being investigated which will mitigate the major risks, these are:-  Option 1 - The procurement process allows us to enter into negotiations with the bidding companies for a Plymouth only procurement.  Option 2 - Should all external procurement fail,	Yes	Cabinet



Key Risk Area	Lead Officer	Update on position	Carry forward for 2016/17	Reporting Through
		Highways maintenance could be bought back in-house and a future collaborative venture such as TECKAL Shared Services will be investigated.		
<p><b>Delivery of the Plymouth Plan</b></p> <p>The concept of a single strategic plan for Plymouth was conceived in September 2012, when Cabinet approved a report setting out an innovative approach to the review of the City Council's adopted Core Strategy, taking the city's statutory development plan forward within the context of the government's new Local Plan system. This established the foundations for preparing the new 'Plymouth Plan', and explained how it will provide an integrated and holistic long term plan as to how the city will change between 2012 and 2031.</p>	Strategic Director for Place	This year we agreed a new Plymouth Plan. The aim is to raise Plymouth's population from 261,000 to more than 300,000 creating 22,700 homes (including around 7,250 affordable homes) and 18,600 jobs. The plan replaces over 100 existing strategies covering areas such as health, children and young people, culture, transport and the economy. The Part Two draft will be published by June 2016 and the whole plan submitted to the Government for public examination by January 2017.	Yes	Cabinet
Failure to secure funding for the <b>Plymouth History Centre</b> - Reputational and financial implications if full funding not received to complete the project led by Plymouth City Council, to transform the existing museum and art gallery on North Hill into the Plymouth History Centre.	Strategic Director for Place	<p>Programme Board has been established.</p> <p>Expertise in place</p> <p>£4m Arts Council funding application submitted and passed the first approval process.</p> <p>A team is working on the external design on the building as well as the themes and ideas that will feature in its galleries and spaces.</p> <p>Consultation has taken place with the public to hear what people think of our plans, share their passion for Plymouth, its history and its culture.</p>	Yes	Cabinet
<b>Cooperative Commissioning and Adult Social Care Budget</b> – Increasing numbers of older people with complex and multiple needs	Strategic Director for People	Integrated Governance arrangements have been established with the NEW Devon Clinical Commissioning Group, including a Section 75	Yes	Health and Wellbeing Board and Cabinet

Key Risk Area	Lead Officer	Update on position	Carry forward for 2016/17	Reporting Through
and an increase in dementia will continue to put pressure on the health and social care system.		agreement which provides the framework for health bodies and local authorities to pool money, delegate functions and integrate resources and management structures. In 2015/16, we spent £67.5 million on care packages and of these, 30% were for older people and 17% were for people with dementia. In 2015/16 Co-operative Commissioning saved £5 million through a range of measures including new contracts and reviews of care packages. The success of the 1st year of the Integrated Pool from a financial perspective is borne out by our ASC under spend for the first time in six years plus the final risk share coming in at £0.039m only (from CCG to PCC).		
<b>The Care Act</b> represents the most significant reform of care and support in more than 60 years, putting people and their carer in control of their care and support.	Strategic Director for People	In 2015/16 we spent £67.5 million on care packages and co-operative commissioning saved £5 million through a range of measures including new contracts and reviews of care packages. We help maintain the quality and safety of our care providers working with national regulators such as the Care Quality Commission.	No	Health and Wellbeing Board
<b>Increase in the number of looked after children</b> and those subject to a Child Protection Plan leading to cost pressures on independent placements, staffing and resources.	Strategic Director for People	Over the last year we have worked with more than 5,500 children in need. We have less than 400 children in our care and 189 children are helped and cared for by our in-house foster carers.  We took almost 5,500 referrals in the year and completed 4,000 assessments to assess risk/need and initiated 1,500 child protection enquiries.  We have significantly reduced the number of children subject to a child protection plan.	Yes	Children and Young People's Trust and Cabinet

The table below describes the new and emerging significant risk issues identified during this review period 2015/16 to carry forward for monitoring within 2016/17:

Key Risk Area	Lead Officer	Update on position	Reporting Through
---------------	--------------	--------------------	-------------------

Key Risk Area	Lead Officer	Update on position	Reporting Through
<p><b>Failure to secure adequate market interest and funding in the South Yard Marine Industries Production Campus (MIPC) site</b>, slows or prevents site occupation such that economic growth and funding projections are not achieved and/or the Council has to provide financial revenue support to run and maintain the site</p>	<p>Asst Director for Economic Development</p>	<p>Continue to explore ways of reducing site running costs and secure sufficient funding to develop Phase 1 and 2 at South Yard.</p> <p>The City Deal team are now progressing a number of initiatives including three key priorities:</p> <p>Creation of a Growth Hub to enhance productivity and support new enterprises through grant schemes to enable local businesses and entrepreneurs to access a range of support providers and schemes through a single Growth Acceleration and Investment Network portal.</p> <p>A Youth Deal to help young people to get into work and to achieve more in their careers and employment.</p> <p>The re-development of the Plymouth Devonport South Yard site – and a number of other marine sites in the region to create a Marine Industries Production Campus.</p>	<p>Cabinet</p>
<p><b>Devolution</b> - Council chiefs and business leaders say they want a 'devolution revolution' to boost prosperity in Devon and Somerset.</p> <p>They have agreed to submit a prospectus to Government that would result in higher productivity and better-paid jobs, improved road, rail and broadband links and more homes for the region's growing population.</p>	<p>Chief Executive</p>	<p>Council leaders and chief executives from the 17 councils, 2 national parks, the Local Enterprise Partnership and the 3 Clinical Commissioning Groups make up the leadership for the Heart of the South West (HotSW) Partnership that is steering the Devolution programme.</p> <p>In late May 2016, senior political leaders from the partnership met with the Secretary of State for Communities and Local Government. At that meeting, the Secretary of State offered to open up negotiations for a Devolution Deal if the partnership, through its constituent members, agreed 'in principle' to the establishment of a Combined Authority for the Heart of the South West. Negotiations are expected to progress during the summer, with a draft Deal and proposals for the new Combined Authority being ratified by partners in the autumn.</p> <p>It is hoped that an announcement of a draft Devolution Deal will be made in the Chancellor's Autumn Statement, followed by a public consultation, and the potential establishment of a shadow Combined Authority in May 2017. The Deal is intended to help deliver the ambitious proposals set out in the partnership's Prospectus for Productivity.</p>	<p>Cabinet</p>

## 7. Certification

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

Cllr Ian Bowyer  
Leader of the Council  
Dated:

Tracey Lee  
Chief Executive  
Dated:

Andrew Hardingham  
Assistant Director for Finance (Section 151 Officer)  
Dated:



BDO LLP  
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**Finance Department**  
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Please ask for: Andrew Hardingham

6 September 2016

Dear Sirs

### **Financial statements of Plymouth City Council for the year ended 31 March 2016**

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2016 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Assistant Director for Finance & Section 151 Officer has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2016 and of its income and expenditure and cash flows for the year then ended 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) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with international financial reporting standards and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving councillors, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

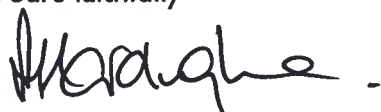
We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We confirm that the above representations are made on the basis of enquiries of councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully



Assistant Director for Finance/Section 151 Officer

## Changes between Draft and Published Final Accounts 2015/16

Note	Description of Adjustment
Narrative Statement	A few small grammatical changes and reference to latest legislation.
MiRS	Error due to a journal which was entered on the 30 <sup>th</sup> June 2016 but not worked through the statements thoroughly. The 'Unusable Reserves' figure shown in 'Other Comprehensive Expenditure and Income' should have been £94,657k not £92,838k and the 'Adjustment between accounting basis & funding under regulations' should have been (£33,834k) not (£32,015k). These figures do not change the 'Net Increase/(Decrease) before Transfers to Earmarked Reserves' total of £60,823k for 'Unusable Reserves'.
CiES	(Gain)/Loss on disposal of non-current assets – journal adjustment made to income rather than expenditure, no change in net figure. (Surplus)/deficit on revaluation of non-current assets – there were some issues regarding the changes in signage from the 14/15 Statement of Accounts and those for this year – 2015/16. This led to an error being made in note 17.6 and a deficit of £24 million was recognised in the note instead of a surplus of £30 million. The overall adjustment was approximately £54 million. This was a capital adjustment and therefore, this has had no impact on the published deficit of £40 million on the provision of services.
Balance Sheet	No changes have been made to the Balance Sheet
Cashflow Statement	No changes have been made to the Cashflow Statement
Note 1	1.6 – revised discount rate of 3.7% (previously reported as 4.5%) to agree with note 29.5 1.18 – change to depreciation periods reference and delete community Assets line. Operational Buildings: Car Parks – a change in the depreciation periods in use from 10 to 50 years to 5 to 50 years Schools – a change in the depreciation periods in use from 10 to 40 years to 5 to 40 years Other Buildings - a change in the depreciation periods in use from 10 to 60 years to 5 to 60 years Community Assets – the introduction of a depreciation period of 0 to 30 years
Note 2	
Note 3	

Note 4	
Note 5	A Post Balance Sheet note has been added to reflect the result of the referendum on 23 June 2016 for the United Kingdom to leave the European Union as per the email recommendation from BDO
Note 6	Last journal of £1,078k (undertaken on the 30 <sup>th</sup> June 2016) not followed through on to 'Amounts of non-current assets written off on disposal' of note 6 in 'General Fund Balance' and 'Movement in Unusable Reserves' and therefore not followed through to the totals, figure should be £7,559k rather than £8,637k .
Note 7	
Note 8	
Note 9	The figure of £136k shown in 'Other Land & Buildings' against 'Derecognition- disposals' has been moved to 'Other Movements in Cost or Valuation'. There is an additional £994k of depreciation written out of 'Surplus Assets' to the Revaluation Reserve. This increases the total 'Depreciation written out to the Revaluation Reserve' to £24,029k.
Note 10	
Note 11	11.1 An error was identified in Technology Forge (the Council's Asset Management System). Note 11.1 should have 'Net gains/losses from fair value adjustments' of only £8k and zero in transfers. The overall Balance as at the 31 <sup>st</sup> March of £63,018k is unchanged. 11.4 The 'Closing Balance' figure of £3,427k should have been split between 'Transfers into Level 3' of £2,969k and 'Total gains/(losses) for the period included in the Surplus or Deficit on the Provision of Services resulting from changes in fair value' of £458k. The 'Closing Balance' figure is unchanged.
Note 12	
Note 13	13.4 Under 'Market risk: price risk' two paragraphs have been added in reference to the pooled property fund and pooled equity funds. This is to reflect the Councils maximum exposure to price risk and the effect of a 5% rise or fall in either property or share price.
Note 14	
Note 15	
Note 16	Additional sentence regarding business rate appeals included in other provisions. Short / Long Term split not matching to BS. Short Term Note 16 = £1.812m, BS = £2.276m. Long Term Note 16 = £10.950m, BS = £10.485m. The note is only showing insurance as a long / short term split and doesn't include Landfill Provision. Note 16 has been updated.
Note 17	17.3 'Integrated Finance Reserve' and 'Other PCC Earmarked Reserves' incorrect 'Balance as at 31 March



	<p>2015' figures shown and 'Transfers to' 'Transfers from'. Figures adjusted to correct this, but overall 'Total Reserves' figure as at 31 March 2016 unchanged.</p> <p>17.6 Note reworked to provide consistency in the 'Comprehensive Income and Expenditure Statement (CIES). The overall 'Revaluation Reserve' figure of £119,216k is unchanged. However the figure for the 'Downward revaluation of Assets' was amended from £14,998k to £8,357k and the surplus figure of £23,930k reported originally in the draft Statement of Accounts was carried forward to the CIES as a deficit. The correction of these entries was approximately £54 million. This was a capital adjustment and therefore, this has had no impact on the published deficit of £40 million on the provision of services.</p>
Note 18	
Note 19	Reworked report due to further analytical data, no change to the overall totals.
Note 20	
Note 21	
Note 22	
Note 23	Note changed for the fees and allowances column as included reimbursement of expenses, therefore not a taxable benefit.
Note 24	
Note 25	
Note 26	
Note 27	
Note 28	
Note 29	<p>29.1 Change to note reference replacing 27.2 with 29.2.</p> <p>29.8 Put £453k back in 2014/15 for Reversal of net charges made to surplus/deficit on provision of services</p> <p>29.9 £1,482k for 2014/15 should be against 'Actuarial gains/losses arising from changes in demographic assumptions' rather than 'Actuarial gains/losses arising from changes in financial assumptions'.</p>
Collection Fund	<p>I. Council Tax Income - Rounding error against 'Band A' for 'Adjusted Band D Equivalents' now corrected (was 17,902 now 17,903). Overall totals unchanged.</p>

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**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Treasury Management 'Brexit' Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	15 September 2016
<b>Cabinet Member:</b>	Councillor Darcy
<b>CMT Member:</b>	Andrew Hardingham (Assistant Director for Finance)
<b>Author:</b>	Chris Flower (Lead Accountant, Capital and Treasury Management)
<b>Contact details</b>	Tel: 01752 304212 Email: chris.flower@plymouth.gov.uk
<b>Ref:</b>	FIN/CF
<b>Key Decision:</b>	No
<b>Part:</b>	I

**Purpose of the report:**

The report is to provide a commentary on the effects on Treasury Management caused by the UK's decision to leave the European Union.

The report gives a general update on the changes in the economy and the markets and how these have affected the Council's Treasury Management.

**The Corporate Plan 2013/14-2016/17:**

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

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

The changes in Treasury Management will have implications on Treasury Management budget. The income on the Council's investment has fallen but this will be partially compensated by the falling cost of borrowing.

**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:**

The Audit Committee to note the report.

**Alternative options considered and rejected:**

None

**Published work / information:**

**Background papers: None**

None

Sign off:

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Originating SMT Member – Andrew Hardingham													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## Treasury Management Brexit Report – September 2016

### I. Executive summary

#### I.1 Economic and credit outlook since the ‘Brexit’ outcome of the EU referendum vote:

- Safe haven (UK, US, German etc.) government bond yields have continued to fall.
- Equity markets have recovered and risen above pre-vote levels.
- General measure of volatility has stabilised.
- Currency devalued significantly (although there has been a recent small rise in rates)
- Consumer confidence fallen.
- Property fund values have fallen.
- Bank Rate cut by MPC to 0.25% on expectation of economic slowdown.
- Inflation is currently at low levels but expected to rise, mainly due to the currency weakness. Economic growth is expected to fall, possibly to recessionary levels, although little data is available for the post-vote period so the real impact is not yet known. MPC have signalled the potential for a further rate cut to almost 0%. This is likely to mean interest rates staying even lower for even longer.
- Overall, credit conditions have been fairly stable. Certificates of Deposit (CDs) rose on Brexit vote but have since eased.

#### I.2 Investments:

Since the cut in the Bank of England interest rate we have seen all financial institutions drop their investment interest rates and some are offering close to zero interest rates. The Council will have a fall in its investment income but it is looking into other investment opportunities in order to maintain its investment income.

The Council has investments in the CCLA Property fund (exclusively for local authorities) and the fund has seen a small fall in its value but the returns are expected to be maintained at their higher position.

#### I.3 Borrowing

The Council has fixed rate borrowing (LOBOs and PWLB) so it is tied into paying the higher rates. However, the Council has circa £100m in short term borrowing and it will benefit from the fall in the interest rate.

#### I.4 Summary

The overall effect of the decisions to leave the EU on the Council’s Treasury Management is quite stable. The Council’s officers are continually monitoring and reviewing the financial markets. The officers have regular meetings with its Treasury Management advisors and are investigating other investment opportunities to help maintain their Treasury Management income.

### 2. Underlying assumptions:

- 2.1 The economic trajectory for the UK has been immeasurably altered following the vote to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries.

- 2.2 The short to medium-term outlook is somewhat more down beat due to the uncertainty generated by the result and the forthcoming negotiations (notwithstanding the Olympic and summer feel-good effects). The rapid installation of a new prime minister and cabinet lessened the political uncertainty, and the government/Bank of England has been proactive in tackling the economic uncertainty.
- 2.3 Purchasing Managers' Index data and consumer and business confidence surveys published for July showed a significant downturn in business activity. An overreaction was always expected due to the unexpected result and confidence indicators, particularly consumer confidence, have experienced a limited recovery.
- 2.4 Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment. These effects will dampen economic growth through the second half of 2016.
- 2.5 UK Consumer Price Inflation (currently 0.6% year/year) will rise close to target over the coming year as previous rises in commodity prices and the sharp depreciation in sterling begin to drive up imported material costs for companies:-
- 2.6 The rise in inflation is highly unlikely to prompt monetary tightening by the Bank of England, with policy makers looking through import-led CPI spikes to the negative effects of Brexit on economic activity and, ultimately, inflation.
- 2.7 There is a debatable benefit to further interest rate cuts (particularly with regard to financial stability). Negative Bank Rate is currently perceived by policy makers to be counterproductive, but there is a possibility of close-to-zero Bank Rate. QE will be used to limit the upward movement in bond yields.
- 2.8 Following significant global fiscal and monetary stimulus, the short term outlook for the global economy is somewhat brighter than a few months ago. However, financial market volatility is likely at various points because the stimulus has only delayed the fallout from the build-up of public and private sector debt (particularly in developing economies, e.g. China).
- Globally, the outlook is uncertain and risks remain weighted to the downside. The UK domestic outlook is uncertain, but likely to be weaker in the short term than previously expected.
  - Any currency-driven inflationary pressure will be looked through by Bank of England policy makers.
  - The likely path for Bank Rate is weighted to the downside with a possibility of a drop to close to zero.
  - Gilt yields will be broadly flat from current levels.

**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Strategic Risk and Opportunity Register – Monitoring Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	15 September 2016
<b>Cabinet Member:</b>	Councillor Darcy
<b>CMT Member:</b>	Lesa Annear (Strategic Director for Transformation and Change)
<b>Author:</b>	Mike Hocking, Head of Assurance Services
<b>Contact details</b>	Tel: 01752 304967 email: mike.hocking@plymouth.gov.uk
<b>Ref:</b>	CRM/MJH
<b>Key Decision:</b>	No
<b>Part:</b>	I

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**Purpose of the report:**

This report provides a summary of the latest formal monitoring exercise completed for the Strategic Risk and Opportunity Register for the period March 2016 to August 2016.

A review of the strategic risk and opportunity register was undertaken at the beginning of the year to ensure the risks included on it are those that affect or are created by our strategic objectives and allow the Corporate Management Team to carry out more proactive management of the key risks that may impact on our Corporate Plan.

Appendix A to the report provides the revised risk and opportunity register showing the current status of each risk and the movement in risk score compared with the previous monitoring period.

Overall, as a result of the review, the total number of risks now reported on the strategic risk and opportunity register has increased from 12 to 14.

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**The Corporate Plan 2013/14 - 2016/17:**

The Strategic Risk and Opportunity Register includes links to the Corporate Plan objectives – monitoring of control action for strategic risks therefore contributes to the delivery of the Council's core objectives.

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

None arising specifically from this report but control measures identified in risk and opportunity registers could have financial or resource implications.

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

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

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**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? Not required.

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**Recommendations and Reasons for recommended action:**

The Audit Committee is recommended to:  
 Note and endorse the current position with regard to the Strategic Risk and Opportunity Register.

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**Alternative options considered and rejected:**

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

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**Published work / information:**

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

**Background papers:**

None.

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

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**Sign off:**

Fin		Leg	DVS2 6373	Mon Off		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 [24 March 2016](#) and this report now provides a summary of the latest monitoring exercise covering the position as at 31 August 2016.

## 2.0 Strategic Risk & Opportunity Register Review

- 2.1 Strategic risks can be defined as risks that affect the aims and objectives of the corporate body or hinder/stop successful achievement of corporate aims or priorities. As such they are key matters for the Corporate Management Team and impact on the whole organisation rather than just one department or service area.
- 2.2 As reported in March's committee, a review of the format and content of the strategic register was carried out at the beginning of the year in order to allow the Corporate Management Team to focus only on those risks and opportunities arising from our Corporate Plan objectives and high level outcomes and provide more oversight and challenge on action plans for mitigating those risks.
- 2.3 This new format now gives a fuller picture of individual risks with a more detailed risk description and consequences, links to the delivery of key objectives or projects as well as information on existing and planned mitigations.

## 3.0 Strategic Risk and Opportunity Register – Monitoring Summary

- 3.1 In accordance with the strategy requirement for twice-yearly monitoring, the latest review and monitoring exercise was completed in August 2016 with the results discussed and agreed by CMT on 16 August 2016 and Cabinet Planning on 23 August 2016.
- 3.2 Attached to this report at Appendix A is the revised strategic risk and opportunity register 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.

## 4.0 Headline Issues

### 4.1 New Risks

**Amber Risk 114 - The organisation's ability to meet performance and delivery expectations in relation to statutory duties and deadlines are reduced – (Row No. 8)**

This risk is included in the strategic risk register being the strategic highlight of a number of related operational risks across directorates. A number of Council services undertake statutory duties such as regulation and enforcement. Increasing public demand and reduced staff resilience are creating pressures (both of complexity and volume) on services. This potentially creates risk in a number of areas such as product safety, food borne illness and contaminated land. Key areas of work in directorates have been risk assessed and prioritised in order to focus

attention on those areas of highest need. In addition, where relevant, services deploy triage systems to focus resources in areas of greatest risk. However, residual risk remains during times of change to service design and delivery.

### **Amber Risk 116 - Risk of non-delivery of a plan for waste that delivers increased recycling levels in Plymouth – (Row No. 9)**

A Programme Plan has been developed with milestones reviewed and monitored by the Project Board (Members and Senior Officers). This will help to ensure the city's recycling targets are achieved and the service is modernised and fit for purpose so that the increase in demand on the service in accordance with the Plymouth Plan Housing Growth can be met.

## **4.2 Risk Score Unchanged**

### **Red Risk 95 – Medium Term Financial Strategy 2016-2020 (Row No. 1)**

The Council has approved a balanced 2016/17 revenue and capital budget and the development of an MTFS to 2019/20. A revised MTFS is being prepared and is due to be considered by Cabinet in October and a recommendation made to Full Council.

### **Amber Risk 21 - Being unable to deliver Council services within the envelope of the resources provided in 2016/17 – (Row No. 2)**

Budget is presented to senior officers and members in scoreboard format which is delivering greater transparency and challenge. Progress is reported within monthly finance reporting to Cabinet members and Scrutiny Board.

### **Amber Risk 83 – Failure to reduce health inequalities (Row No. 3)**

Thrive Plymouth framework has been adopted by full council. Work continues with major employers and schools to influence healthier lifestyles.

## **4.3 Risk Score Increased**

### **Amber Risk 46 – The Council not meeting its obligations to keep citizen data secure – Increased from 12 to 16 (Row No. 5)**

In order to maintain the level of awareness in directorates due to the global increase in the number of data breaches, the risk probability score has been increased for this risk. The Information Governance Manager is undertaking targeted awareness sessions at team meetings and continuing to monitor completion rates for the eLearning training that has been rolled out to staff. Data breach incident reporting is being improved to provide a greater level of consistency across directorates.

## **5.0 Leaving the EU**

**5.1** Following the UK referendum vote to leave the EU on 23 June a Leaving the EU working group has been formed, chaired by the Assistant Chief Executive.

**5.2** The working group will support the Council in understanding, interpreting and engaging in the Brexit process. Being informed, prepared and proactive will ensure that the Council is in the best possible position to take advantage of opportunities that arise as well as being ahead of the game to potential risks.

- 5.3** A risk log has been developed and an initial scoping exercise has taken place to identify potential risks and opportunities under the following risk category headings:-
- The Plymouth Plan
  - Planning
  - Procurement
  - Community
  - Jobs
  - Skills
  - Adult Social Care
  - Child Care
  - Legislation and Regulation
  - Financial
  - The Economy

**5.4** The working group will also provide the link to other organisations such as the Local Enterprise Partnership, the Growth Hub and business representative bodies such as Chambers of Commerce to gather some initial views from local businesses on the impact of the referendum.

**5.5** The Working Group Chair will provide CMT with a monthly update and also update Cabinet where necessary.

## **6.0 Devolution**

**6.1** In the Summer of 2015, Plymouth City Council, together with all the councils across Devon and Somerset worked together to submit a Statement of Intent to Government expressing the desire to explore a Devolution Deal that would transfer powers and funding from central Government, and enable greater influence over a wide range of public service areas.

**6.2** On 25 May 2016, a meeting was held between the leaders of Plymouth City Council, Somerset and Devon County Councils and the Mayor of Torbay Council, with the Secretary of State for Communities and Local Government. At that meeting, the Secretary of State offered to support and open up negotiations for a Devolution Deal, if each council, and the respective MPs covering the area were able to provide evidence of an 'in principle' agreement for the creation of a new Combined Authority to administer any Devolution Deal. Negotiations are expected to progress with a draft deal and business case being developed.

## **7.0 The Plymouth Plan**

**7.1** This year we agreed a new Plymouth Plan. The aim is to raise Plymouth's population from 261,000 to more than 300,000 creating 22,700 homes (including around 7,250 affordable homes) and 18,600 jobs.

**7.2** The plan replaces over 100 existing strategies covering areas such as health, children and young people, culture, transport and the economy. The Part Two draft was

published in June 2016 and the whole plan will be submitted to the Government for public examination by January 2017.

- 7.3** The next review of the strategic risk register will include a risk to cover the latest overarching position on the progress of the Plymouth Plan and any potential risks arising from delays in delivery milestones.

### **8.0 Finance Fit Risk Management Review**

- 8.1** The Finance FIT project has been launched with the objective of managing delivery of a modern, fit for purpose, cost efficient, cost effective and customer focused Finance Service.

- 8.2** A review of our risk management approach to drive better value from risk management activities is one of the Assurance work stream objectives of the project.

- 8.3** This review took place during July as a joint working collaboration between the Corporate Risk Team and Devon Audit Partnership.

- 8.4** A risk perception questionnaire was sent to all third tier managers and Assistant Directors have been interviewed to get their view on how well risk management is working within their service as well as any areas they would like to see develop.

- 8.5** An audit report is being produced that will include actions to be implemented over the coming 12 months.

- 8.6** The output from the review will be used to create tools to allow the Council to become less risk averse by using risk management as a business driver and therefore better able to maximise opportunities.

- 8.7** Progress of the review will be reported to future meetings of this Committee.

### **9.0 Summary and Conclusion**

- 9.1** 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.

- 9.2** 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.

- 9.3** The inclusion of risk management considerations is a key feature in the Council's key corporate processes featuring in the Corporate Plan preparation, Change Plans, Budget Planning and Monitoring and Performance Management.

- 9.4** This embedded approach 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.

- 9.5** The next formal review of the Strategic Risk and Opportunity Register will take place in February 2017.

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PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER TWENTY THREE - AUG 2016

ROW NO	RISK REF	DESCRIPTION OF RISK (Risk description should include cause / risk event / consequence)	CRITICAL SUCCESS FACTOR (must be vital to the Council's success / benefit the Council as a whole / Be synonymous with a high-level goal / link directly to the corporate strategy)	CURRENT EXISTING MITIGATION	RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING			RAG RATING /CHANGE IN RISK RATING	ACTION PLAN / FUTURE MITIGATION	HOW WILL PROGRESS BE MEASURED (Guidance shown in tab C)	TARGET DATES (or review date if target unknown)	RESPONSIBLE OFFICER(S)	DIRECTOR / ASSISTANT DIRECTOR	RISK CHAMPION
					*P	*I	20	*P	*I	20							
1	95	Inability to meet the longer term target budgets given the size of the resource reductions and increasing cost pressures as detailed in our <b>Medium Term Financial Strategy 2016-2020</b> . This would result in a negative impact on budgets, loss of reputation, negative impact on front line services and a negative VFM opinion from external audit  Risk Category: FINANCIAL	<i>Pioneering</i> - We will be pioneering by designing and delivering better services that are more accountable, flexible and efficient in spite of reducing resources  The Medium Term Financial Strategy (MTFS) for the financial years 2016/17 to 2019/20 sets out how we will finance the priorities for the Council, having regard to the Plymouth Plan, the Corporate Plan and the uncertainties around a number of issues including the level of reductions in future funding from Central Government and the consequent changes required of the Council	The Council has approved a balanced 2016/17 revenue (which includes a drawdown from existing reserves and provisions) and capital budget and the development of an MTFS to 2019/20. PCC Finance and People Directorate SMT are working in collaboration with the NHS Success Regime to ensure the Plymouth Integrated Fund is not compromised. A revised MTFS is being prepared and is due to be approved by Cabinet in October. It is proposed that the MTFS will be submitted to the Dept for Communities & Local Government, making the Council eligible to use capital receipts flexibly and protecting its 4 year Revenue Support Grant settlement. CMT and Cabinet will continue to receive monthly monitoring reports identifying risks and pressures leading to the consideration of proposals for corrective action.	4	5	20	4	5	20	R	Delivering the MTFS will be part of the CMT/ SMT development programme.  Work with NHS colleagues on developing Plymouth-wide savings to benefit PCC and CCG  The Council is monitoring the impact of (1) Business Rates revaluation taking effect April 2017 (2) The impact of new business rates appeals rules (3) The business rates impact of Brexit (4) Responding to DCLG consultations Fair Funding and 100% business rates retention by 26 September 2016.  Work with Arlingclose (our treasury management advisors) to fully understand the treasury management impact of Britain's exit from the European Union.	Raised awareness and ownership by SMT  Savings have been identified and developed  Protect PCC's funding entitlements and maximise its position under 100% business rates retention  Develop countermeasures and alternative investments	Ongoing  Ongoing  DCLG response to consultation Dec 2016	David Northey	Andrew Hardingham	Aaron Perrin
2	21	<b>Being unable to deliver Council services within the envelope of the resources provided in 2016/17</b> leading to negative impact on budgets, loss of reputation, negative impact on front line services and a negative opinion from external audit.  Risk Category: STRATEGIC TRANSFORMATIONAL CHANGE	<i>Pioneering</i> - We will be pioneering by designing and delivering better services that are more accountable, flexible and efficient in spite of reducing resources  The Council 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 to achieve this result.	Progress reported within monthly finance reporting to cabinet members and scrutiny board.  Improved Member engagement in Budget process and earlier in MTFP setting process buy having regular Member briefings.  Budget presented to senior officers and members in scoreboard format, delivering greater transparency and challenge.  Higher profile of Council's finances at both CMT and cabinet. Regular project accounting reports to the Transformation Programme Review Board.  Budget sessions at DMTs.	4	4	16	4	4	16	A	Cross-departmental strategy on grant maximisation, with the policy being finalised by March 2016.  Treasury Management diversification of portfolio to increase income.  Working with Local Government Partnership to change regional contract and procurement opportunities to achieve cost efficiencies. Continue the Transformation Programme which is improving efficiency and reducing costs whilst still delivering benefits to customer. Significant savings are focused in four key programmes:- Growth, Assets & Municipal Enterprise (GAME) Integrated Health & Wellbeing (IHWB) Customer Service Transformation (CST) People & Organisational Development (POD)	Increase in successful bids  Better return on the investment portfolio  Reduced contract costs  Improved efficiency and reduced costs	October 2016  March 2017 (With quarterly reviews)  March 2017 (With quarterly reviews) Ongoing	Paul Cook	Andrew Hardingham	Aaron Perrin
3	83	<b>Failure to reduce Health Inequalities</b> will mean our poorest residents continue to live shorter lives as well as more years in ill health. This risk impacts the city's growth ambitions as well as the sustainability of the health and social care system through increased demands on welfare care, support and health services. Further risk of failing to achieve the city's vision where "an outstanding quality of life is enjoyed by everyone" and the key Caring Plymouth objective to reduce health and social inequalities.  Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING	<i>Caring</i> - We will promote a fairer, more equal city by investing in communities, putting citizens at the heart of decision-making, promoting independence and reducing health and social inequality <i>Confident</i> - We will work towards creating a more confident city, being proud of what we can offer and growing our reputation nationally and internationally  Reducing inequalities particularly in health and between communities is a long term priority for the City Council to support the delivery of the vision for Plymouth where an outstanding quality of life is enjoyed by everyone	Thrive Plymouth framework adopted by full council and reading across in Plymouth Plan and Integrated Commissioning Strategies provides good foundation to achieve prevention in all services and decision making processes. Work with major employers in 2014/15 and in 2015/16 seeks to embed an understanding and focus to reduce health inequalities reaching thousands of employees and children and young people via schools.	4	4	16	4	4	16	A	Persistent action across the Council required at many levels to tackle inequalities  Continue to work with employers and schools to influence healthier lifestyles	There is currently a life expectancy gap of 12.2 years between neighbourhoods in Plymouth. Closing that gap is crucial to the city thriving and an outstanding quality of life being enjoyed by everyone.	Ongoing	Sarah Lees	Kelechi Nnoaham	Scott Senior

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER TWENTY THREE - AUG 2016

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					Feb-16	Aug-16	Feb-16	Aug-16									
4	84	<b>Risk of increased poverty/hardship as a result of the impact of Welfare Reform</b> and reduced funding for discretionary welfare funds  Risk Category: FINANCIAL	<i>Caring</i> - We will promote a fairer, more equal city by investing in communities, putting citizens at the heart of decision-making, promoting independence and reducing health and social inequality <i>Confident</i> - We will work towards creating a more confident city, being proud of what we can offer and growing our reputation nationally and internationally  The government's welfare reform agenda continues to present significant risk, placing additional pressures on customers including the most vulnerable, and requiring significant partnership work with the voluntary sector to provide face to face advice to support customers affected	Welfare Reform Framework adopted.  Impact of welfare reform continues to be monitored and discretionary welfare schemes reviewed.  Plans implemented and strategies in place to create jobs.  Support continues to Credit Unions and other financial inclusion initiatives.  Local support agreement for Universal Credit claimants	4	4	16	4	4	16	█ A	Officers working group across depts to measure impact, consider response and coordinate actions.  Review advice services.  Review local Council Tax Support Scheme.  Review future of Emergency & Welfare Fund (EWF).  Support for implementation of Universal Credit and those affected by the benefit cap.  Create jobs and widening access to employment market.  Reduce use of costly loans.  Review and implementation of the Child Poverty action plan.	Welfare Response Group performance managing implementation of action plan.  Contract monitoring of commissioned Advice Services.  Revise Emergency Welfare Fund.  Review advice services.	April 17 (Annual review)  Ongoing  Sept 16  April 17	Pete Aley  Rachel Silcock  Emma Rose  Rachel Silcock	Giles Perritt	Maddie Halifax
5	46	<b>The Council not meeting its obligations to keep citizen data secure</b> , or provide and display information in line with statutory requirements. The consequence can be a financial penalty and/or reputational damage resulting in loss of trust in the Council which will affect the ability of the Council to work efficiently and effectively with the public, contractors or partner organisations (formerly Information Governance)  Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING	<i>Pioneering</i> - We will be pioneering by designing and delivering better services that are more accountable, flexible and efficient in spite of reducing resources  Information is the raw material used by the Council to plan for and deliver all its services and reducing the risk that describes the availability and quality of information for staff, decision makers and citizen use, as well as the protection of sensitive information is a continuing process.	Staff awareness training has been rolled out to staff  Incident reporting and management in place  Escalation of breaches to MISF and SIRO	3	4	12	4	4	16	█ A	Roll out staff awareness training to all staff.  Implement greater reporting consistency within directorates.  Implement improved incident analysis within the Service Desk  Ensure full corporate attendance for MISF  Improved contract management with partners  Implement greater reporting consistency within directorates  Implement improved incident analysis within the Service Desk  Ensure full corporate attendance for MISF	Reports from HR training detailing completion statistics  Improved breach reports distributed to directorates  Detailed breach reports for partners and escalation at contract management meetings  Reporting of non-attendance to directors	Aug 2016  Sept 2016  Sept 2016  Aug 2016	John Finch	Andrew Hardingham	Aaron Perrin
6	113	<b>Risk of data loss and/or compromise of connected national infrastructure due to vulnerable infrastructure</b> or attacks via standard hacking methods, phishing emails or malware infection.  Risk Category: OPERATIONAL/SERVICE DELIVERY	<i>Pioneering</i> - We will be pioneering by designing and delivering better services that are more accountable, flexible and efficient in spite of reducing resources  An information security incident occurs when there is a compromise, potential compromise or unauthorised use of Plymouth City Council data or physical assets. Poor education and training, misuse, and breach of security controls of information systems may result in data and information being put at risk, may be used to misrepresent the Council and result in the ineffective use of Council resources	Annual IT Health Check  Regular vulnerability scans carried out  IT Infrastructure patching policy in place  Pro-active protective monitoring by Babcock  External compliance assessment	4	4	16	4	4	16	█ A	Implement compliance requirements into Delt business as usual - This is a workstream of the information management project  Ensure vulnerability scans are conducted and reported to PCC	Transformation programme monitoring  Build into service level reporting	Dec 2016  Dec 2016	John Finch	Andrew Hardingham	Aaron Perrin
7	94	<b>Risk to vulnerable children, young people and families by not delivering early intervention and prevention</b> and responding as soon as possible to their needs and promote better long term life outcomes.  Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING	<i>Caring</i> - We will promote a fairer, more equal city by investing in communities, putting citizens at the heart of decision-making, promoting independence and reducing health and social inequality  Early intervention aims to promote better long term life outcomes for families, and in doing so, also prevent them needing more intensive and higher cost services in the future, such as children's social care or the criminal justice system.	Children & Young People Service Transformation Project; Plan for Child Poverty 2016-2019 The Children and Young People's Commissioning Plan which is being overseen by the CYP System Design group	4	4	16	4	4	16	█ A	Children and Young People Action plan Transformation including the Gateway and Targeted Support Workstreams, implementation plans to be completed after the formal consultation closes in Aug 16  Child Poverty Action Plan 2016-2019 aims to provide a renewed focus for where the city's attention and resources should be directed to ensure we have the most impact on our most vulnerable families, who are most likely to be experiencing child poverty	A reduction in offending, re-offending and anti-social behaviour  Improvement in children's school attendance and attainment  Children remaining safe from harm, including a reduction in risk from domestic abuse  Reduction in child poverty  Improved family health and wellbeing	Ongoing	Picklu Roychoudury	Alison Botham / Judith Harwood	Julie Reed



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					Feb-16	Aug-16	Feb-16	Aug-16								
8	114	<b>The organisation's ability to meet performance and delivery expectations in relation to statutory duties and deadlines are reduced.</b> This is due to operational service pressures arising from a combination of: 1. Growing volume and complexity of demand across services; 2. Reduced staff and staffing resilience in a time of significant and rapid change to the design and delivery of services. Examples of where such pressures potentially create this risk include product safety, food borne illness and contaminated land.	<i>Caring</i> - We will promote a fairer, more equal city by investing in communities, putting citizens at the heart of decision-making, promoting independence and reducing health and social inequality <i>Confident</i> - We will work towards creating a more confident city, being proud of what we can offer and growing our reputation nationally and internationally  Public Protection Service is an upstream service, that is highly preventative in protecting health, safety and wellbeing	Key areas of work in directorates have been risk assessed and prioritised in order to focus attention on those areas of highest need. In addition, where relevant, services deploy triage systems to focus resources in areas of greatest risk. Finally, services keep a close eye on performance and delivery and extra resources are deployed if necessary	New		3	5	15	A	Continual reassessment of prioritisation system to ensure our targeting of resources is correct.  Constant review of intelligence and information to identify trends and emerging risks and to identify efficiencies in ways of working	Ongoing	Alex Fry, Andy Netherton, Nicola Horne, Katherine O'Connor	Kelechi Nnoaham	Scott Senior	
9	116	<b>Risk of non delivery of a plan for waste that delivers increased recycling levels in Plymouth</b> and ensures it meets the PFI targets agreed in the SW Devon Waste Partnership  Risk Category: DEVELOPMENT & REGENERATION	<i>Pioneering</i> - We will be pioneering by designing and delivering better services that are more accountable, flexible and efficient in spite of reducing resources  The city's recycling targets are achieved and the service is modernised and fit for purpose so that the increase in demand on the service in accordance with the Plymouth Plan Housing Growth can be met	Post rezoning service being delivered. Plan for waste under discussion	New		3	5	15	A	Cross Party Select Committee Consultation Programme Plan and staffing resources in place Project Board and Delivery Team established	Initial implementation April/May 2017	Lou Hayward	Lou Hayward	Gill Peele	
10	109	<b>Failure to secure adequate market interest and funding in the South Yard Marine Industries Production Campus (MIPC) site,</b> slows or prevents site occupation such that economic growth and funding projections are not achieved and/or the Council has to provide financial revenue support to run and maintain the site  Risk Category: DEVELOPMENT & REGENERATION	<i>Growing</i> - We will make our city a great place to live by creating opportunities for better learning and greater investment, with more jobs and homes <i>Confident</i> - We will work towards creating a more confident city, being proud of what we can offer and growing our reputation nationally and internationally  The city's Local Economic Strategy seeks to concentrate efforts on the things that will generate the greatest returns to our economy. It recognises the opportunity presented by Mayflower 2020 as a major milestone in the reinvention of Plymouth as Britain's Ocean City and as a catalyst for business growth in marine and related industries, the visitor economy, the culture of the city in its broadest sense, and raising the city's profile and reputation in global markets.	The council has the flexibility in its legal agreement with the MOD to slow down the legal transfer of the final phases of South Yard to enable sufficient income to be generated to pay for running costs.	3	4	12	3	4	12	A	Secure sufficient funding to develop Phase 1 and 2 at South Yard. Council has recently submitted business case for Growth Deal 2 grant and Growing Places Funding and an Eol bid for Growth Deal 3 grant funding to accelerate and progress site development.  Continue to explore ways of reducing site running costs. Council has engaged positively with senior MoD and Navy officers to review and challenge future security requirements to seek to reduce additional annual revenues security costs.	Ongoing Next review Feb 2017	Patrick Hartop	David Draffan	Gill Peele
11	107	<b>Failure to deliver the HM17 Programme of change.</b> The Amey Partnership will cease on 31 March 2017. Plymouth are working with Somerset and Devon to procure a new contractor for term maintenance and to bring back in house some functions.  Risk Category: DEVELOPMENT & REGENERATION	<i>Pioneering</i> - We will be pioneering by designing and delivering better services that are more accountable, flexible and efficient in spite of reducing resources  A contract is awarded with a successful bidder to commence April 2017 and improvements and efficiencies in the strategic design and maintenance of the highways network are delivered.	Cross Party Project Board in place and meeting regularly. Delivery team in place. Gateway review validation undertaken. Tender evaluation, moderation is resourced and on schedule. 9 workstreams established with lead officers. Programme Risk Register developed from risk workshop and monitored.	4	3	12	3	4	12	A	Implementation of Gateway Review recommendations.  Mitigation measures in place for key risks.	BID Award - Sept 16  Mobilisation - Oct 16  New contract - Mar 17	Adrian Trim	Simon Dale	Gill Peele

PLYMOUTH CITY COUNCIL STRATEGIC RISK REGISTER TWENTY THREE - AUG 2016

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					*P	*I		*P	*I								
12	93	<b>Risk of failing to deliver the range of housing to meet Plymouth's need</b> via The Plan for Homes and not realise the ambition to deliver 5,000 new homes over the next 5 years  Risk Category: DEVELOPMENT & REGENERATION	<i>Growing</i> - We will make our city a great place to live by creating opportunities for better learning and greater investment, with more jobs and homes  The Plan for Homes was launched in November 2013 to speed up housing supply by delivering a range and mix of well-designed greener homes to meet the city's needs	Plan for Homes regularly reviewed. Plan for Homes refresh 2016-2021 completed through the Housing Needs Working Group and approved by Cabinet in February 2016.  Review of partnerships and partners to manage delivery and ensure capability.	*P	*I		*P	*I		A	Plan for Homes refresh 2016 to 2021 with 20 initiatives to further support housing delivery. This includes a more direct intervention approach to housing delivery for establishing a fund for acquiring sites; tackling stalled and lapsed sites; creating a new housing company directly to deliver new homes.  Ensuring the modernisation of Government funding opportunities to support new homes e.g. Starter Homes and Care and Support funding.  To develop further innovation to improve upon the proactive and fast track approach to planning.	Regular reports to Housing Needs Working Group and Portfolio Holders.  Establishment of Cabinet Advisory group on Planning.  Housing and Infrastructure to remove barriers to delivery, improve key partner engagement to support delivery of new homes against commitment to deliver 5,000 new homes over 5 years.	Annual delivery monitoring year end March 2016 and on going	Paul Barnard	Paul Barnard	Gill Peele
13	51	<b>Risk of not delivering sustained and accelerated economic and population growth</b> in line with the Council's Corporate Plan and vision for the City which could lead to higher unemployment and lack of the right labour skills to match the needs of businesses.  Risk Category: DEVELOPMENT & REGENERATION	<i>Growing</i> - We will make our city a great place to live by creating opportunities for better learning and greater investment, with more jobs and homes <i>Confident</i> - We will work towards creating a more confident city, being proud of what we can offer and growing our reputation nationally and internationally  The city's Local Economic Strategy seeks to concentrate efforts on the things that will generate the greatest returns to our economy. It recognises the opportunity presented by Mayflower 2020 as a major milestone in the reinvention of Plymouth as Britain's Ocean City and as a catalyst for business growth in marine and related industries, the visitor economy, the culture of the city in its broadest sense, and raising the city's profile and reputation in global markets.	We have put in place a series of economic development measures. These include for People - 1000 Club, Building Plymouth, Urban Enterprise Programme, Manufacturers Challenge.  Place regeneration we have undertaken direct development (Header Court) signed a City Deal, embarked on Plymouth Science Park phase 5.  Business Support we have set out a 2.5 million social enterprise investment fund, supported the Gain Growth Fund, attended business trade shows (MIPIM San Diego, Mets Amsterdam) and reworked the inward investment guide/website.	3	3	9	3	3	9	G	Future plans include:  Place - development of the History Centre and Quality Hotel site. Exploring development of Colin Campbell Court. Further direct development of South Yard.  Business Support - development of the marine/blue tech sector, co-ordinating inward investment, leveraging off the LEP to improve connectivity and exploiting the Mayflower to reposition the city at the centre of celebrations.  Brexit element of this risk will be considered in line with corporate Brexit risk template	Monitor:-  Weekly wage rates, Gross Value Added per hour worked.  Job Seeker Allowance claimants.  Youth Job Seeker Allowance claimants	Ongoing	Paul Barnard	Paul Barnard	Gill Peele
14	108	<b>Failure to secure funding for the Plymouth History Centre</b> - Reputational and financial implications if full funding not received to complete the project led by Plymouth City Council, to transform the existing museum and art gallery on North Hill into the Plymouth History Centre.  Risk Category: DEVELOPMENT & REGENERATION	<i>Pioneering</i> - We will be pioneering by designing and delivering better services that are more accountable, flexible and efficient in spite of reducing resources <i>Confident</i> - We will work towards creating a more confident city, being proud of what we can offer and growing our reputation nationally and internationally  The vision to build a unique visitor attraction, three times the size of the existing site, which will open as the flagship building for the Mayflower 400 commemorations in 2020	Whilst the project remains on track there are risks arising due to the proximity of the point of commitment. All funding applications have been made and we will find out the results over the summer and into the autumn. All indications are positive. All procurement appointments are now in place including the contractor. If commitments are made in the autumn delivery is on programme for April 2020.	3	4	12	2	4	8	G	Additional funding streams being sought.  Programme for Arts Council bidding being put in place with the Culture Board	When appropriate funding is in place	Autumn 2016	Paul Brookes	David Draffan	Gill Peele

**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Internal Audit – Progress Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	15 September 2016
<b>Cabinet Member:</b>	Councillor Darcy
<b>CMT Member:</b>	Lesa Annear (Strategic Director for Transformation and Change)
<b>Author:</b>	Robert Hutchins, Head of Devon Audit Partnership
<b>Contact details:</b>	Tel: 01752 306710 Email: robert.hutchins@devonaudit.gov.uk
<b>Ref:</b>	AUD/RH
<b>Key Decision:</b>	No
<b>Part:</b>	I

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**Purpose of the report:**

This report provides Members of the Audit Committee with a position statement on the audit work carried out since April 2016 and based on work performed to date during 2016/17, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

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**The Corporate Plan 2013/14 - 2016/17:**

The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting high standards of service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.

The delivery of the Internal Audit Plan assists all directorates in delivering outcomes from the Corporate Plan:-

- Pioneering Plymouth – by ensuring that resources are used wisely and that services delivered meet or exceed customer expectations;
  - Confident Plymouth - the Government and other agencies have confidence in the Council and partners.
- 

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

None.

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

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

**Equality and Diversity:**

Has an Equality Impact Assessment been undertaken? No

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**Recommendations and Reasons for recommended action:**

It is recommended that:-

- I. The report be noted.
- 

**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.

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**Published work / information:**

Internal Audit Annual Plan 2016/17 – March 2016

**Background papers:**

None

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**Sign off:**

Fin		Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member													
Has the Cabinet Member(s) agreed the content of the report? Yes													

Internal Audit

# Internal Audit Progress Report 2016-17

Plymouth City Council  
Audit Committee

September 2016



Robert Hutchins  
Head of Audit Partnership

Auditing for achievement



## **Devon Audit Partnership**

The Devon Audit Partnership has been formed under a joint committee arrangement comprising Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards (PSIAS) and other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk)

## **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 19 August 2016 against the internal audit plan for the 2016/17 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 2016/17 financial year. Progress in the period up to 19 August 2016 has included completion of work carried forward from 2015/16, 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 2016 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 2016/17, 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.

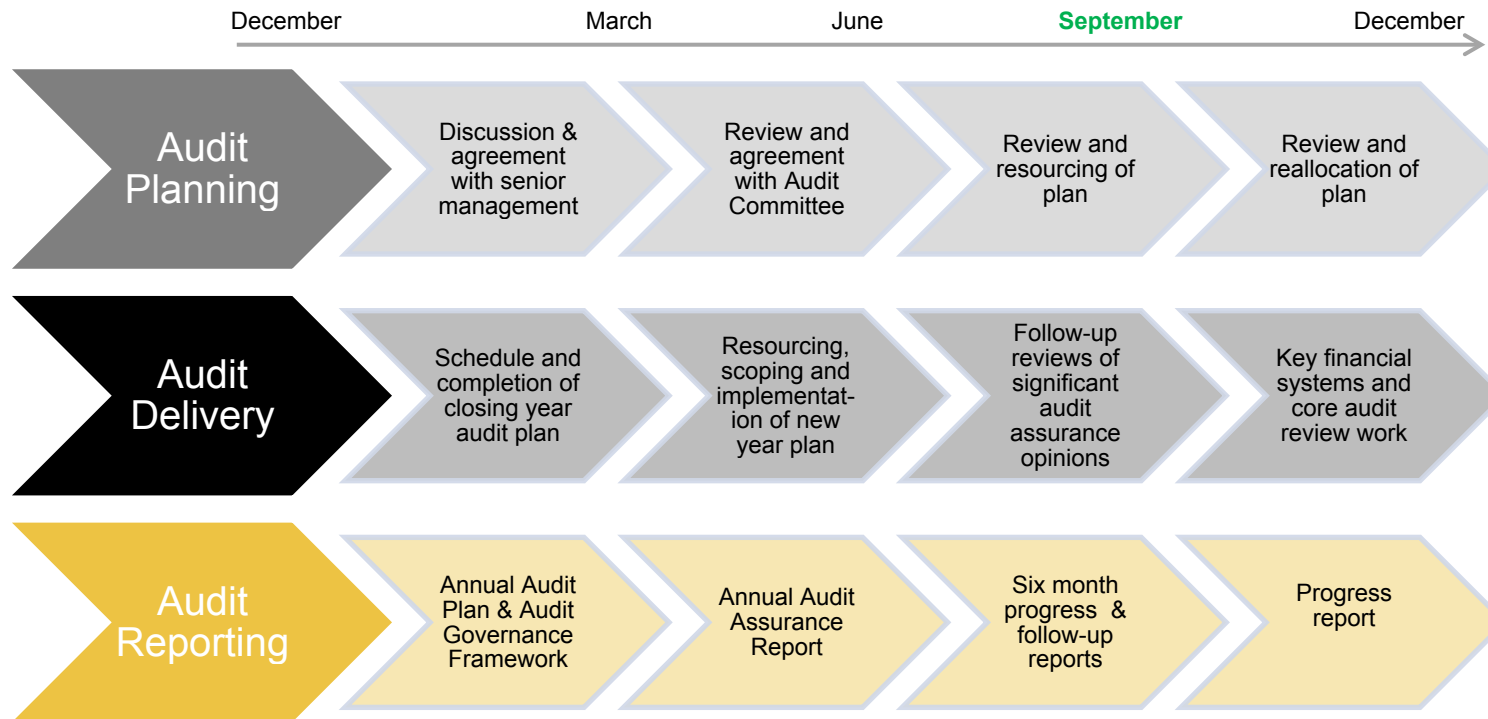
## **Recommendations**

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

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## Appendix 1 – Assurance Opinion and extract Executive Summaries – Up to 19 August 2016

### 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

### Assurance Progress Key

Green – action plan agreed with client for delivery over an appropriate timescale;  
 Amber – agreement of action plan delayed or we are aware progress is hindered;  
 Red – action plan not agreed or we are aware progress on key risks is not being made.  
 \* report recently issued, assurance progress is of managers feedback at debrief meeting.  
 \*\* for transformation & other projects, the direction of travel reflects our view of how effective the project is run.

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score	
		Status	Assurance Opinion	Executive Summary		
<b>Transformation and Change</b>						
<b>Core Assurance – Key Financial System</b>						
The key financial reviews will be commenced in the second half of 16/17:						
Civica Financials: <ul style="list-style-type: none"> <li>➢ Creditors ANA - High</li> <li>➢ Main Accounting ANA - High</li> <li>➢ Debtors ANA – Medium</li> </ul> iTrent – Payroll ANA – Medium ICT Systems ANA - High			Academy Revs & Bens: <ul style="list-style-type: none"> <li>➢ Housing Benefits ANA - High</li> <li>➢ Council Tax ANA - Medium</li> <li>➢ Business Rates NNDR ANA – Low</li> </ul> Treasury Management ANA - Medium			<b>Page 166</b>
The review of Capital Accounting (Fixed Asset Register) ANA – Medium has been cancelled with the agreement of the client as the External Auditors have advised that they are covering the same areas in their final accounts audit.						
<b>Core Assurance - Other</b>						
Corp Information Management <ul style="list-style-type: none"> <li>• ILOG, FoI, DPA, Policies &amp; P's, EDRMS, End User Computing</li> </ul>	SRR46 - Amber ANA – High	Ongoing	Value Added	DAP has continued to monitor progress with implementation of action plans associated with the Data Protection audits conducted in the previous two financial years and the Information Commissioner's visit in 2014. All recommendations previously made by Internal Audit have been reviewed and either considered to be actioned, captured by the ICO remediation plan, remain outstanding, or are part of ongoing ILOG activities. A formal report to consolidate all current and outstanding Information Governance issues identified during work conducted in 2015/16 and early 2016/17 has been issued. Responsibility for remedial actions has been assigned to ILOG, with individual responsibilities being designated by the Head of Assurance where necessary.		

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
“Active Directory”	SRR46 - Amber ANA – High	In Progress		A review of the Council’s Active Directory (that governs access to the Council’s ICT network and logical assets) was recommended within our Information Management report. Working with the Information Governance Manager, a formal initial assessment has been produced that feeds into the Transformation programme workstream.	
ICT Retained Client	ANA - High	In Progress		Work undertaken to date will provide the framework to effectively conduct its ICT retained activities. The review will look at functional processes and activities as opposed to organisational structure.	

The reviews will be commenced in the second half of 16/17:

**ICT**


- Service Strategy ANA - High
- Service Design ANA - High

Information Security  
(Includes Gov.Connect & PCI DSS) SRR46 Amber – ANA – High

ICT – Cyber Security SRR113 Amber – ANA - High

**Transformation & Change – Strategic and Operational**


Transformation Process	SRR95 - Red ANA - High	Ongoing		Audit have provided support and challenge the Transformation Portfolio Team as they continue to develop and issue policies, strategies and procedures in areas such as integrated assurance and benefits realisation. DAP, in conjunction with the Council’s Policy, Performance and Planning Team, reported its findings following the verification of the results from the project maturity self-assessment carried out by the Portfolio Office in Autumn 2015. This showed positive developments across many of the assessed areas at each of the three levels (Portfolio, Programme and Project) but also highlighted areas that required improvement. It is anticipated that a similar exercise will be conducted again this autumn in order to further gauge progress in developing best practice in the running of projects and programmes.	
Risk Management	ANA - High	In Progress		The scope and objectives of this audit is to evaluate the adequacy of risk management arrangements operating within Council Directorates.  DAP has been working collaboratively with the Corporate Risk Management Team to interview a number of senior officers across the organisation; Risk	


Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				Management perception surveys were also issued to a number of managers and information has been sought and discussions held with Risk Champions to understand the current arrangements. It is anticipated that our analysis of the findings will be reported at the end of September.	
Schools Financial Value Standards (SFVS)	Statutory ANA - Low	Final	Good Standard	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2015/16 submitted to the Department for Education.	


The Management of Delt (ANA - High ) review will commence in the second half of 16/17:

## People

### Core Assurance – Key Financial System

Independent Placements (Children)	ANA – Medium	Draft	Improvements Required	<p>A review of seven placements found that,</p> <ul style="list-style-type: none"> <li>the majority of payments were made correctly,</li> <li>they had been agreed at Resource Panel,</li> <li>a contract was in place,</li> <li>any additional payments were paid correctly and</li> <li>budgets were closely monitored and reported to management.</li> </ul> <p>However, there is a need to update, change and improve controls in a number of areas. Functions are split between the Commissioning Team and the Child Payments Team who are located at different sites. Roles and responsibilities have evolved over time and staff are, at times, unclear of these in areas such as overpayments, reconciliations and following up on missing documentation. In addition, if functions continue to be shared between two teams then communication and collaboration needs to be improved to reduce the risk of errors, late, missed and/or overpayments, for example, we found instances of significant delays, up to 29 weeks, in commencing payment to some providers.</p> <p>Issues were also identified with regards the application and recovery of VAT on services.</p> <p>The report highlighted opportunities to streamline longstanding processes, for</p>	
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Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				example: <ul style="list-style-type: none"> <li>with regards the fortnightly payment run</li> <li>further automation of the system, use of electronic signatures and avoidance of large volumes of printing</li> </ul>	
Direct Payments (Pre-Paid Cards) Follow-Up		Final	Improvements Required	<p>DAP has undertaken another, more recent follow-up exercise into the use of pre-paid cards. A previous follow-up in 2015 resulted in an action plan to be managed within PCC ASC. The transfer of adult social care to Livewell Southwest in April 2015 removed the direct oversight for the implementation of a number of the original recommendations. Following this there was a focus on the update of operational processes within PCC and clarification of retained roles and responsibilities.</p> <p>This has led to a project group being set up to look at the end to end processes. Work will include updating written procedures and guidance for Social Workers and Business Support and will include documents sent to clients or 3<sup>rd</sup> party representatives. Audit will be meeting with the project lead in the Autumn for an update on progress.</p>	
<p>The following review will be commenced in the second half of 16/17:</p> <ul style="list-style-type: none"> <li>➤ CareFirst - Residential Care Payments (Adults) Independent ANA – High</li> <li>➤ CareFirst - Income Collection (Adults) - ANA – High</li> </ul>					
<b>Core Assurance - Other</b>					
Income Collection Strategy	ANA - Critical	In Progress		<p>Income Collection is a core element contributing to the funding of the provision of Adult Social Care to the city's population. This review has been assessing the Council's approach to maximising social care income and in turn, the ability to fund the provision of care. It has looked to confirm both the internal and external factors which have impacted on the ability to generate and collect income, considering what has been changed/updated as a result, and also the potential future impacts. It is anticipated that our findings will be reported by mid-September.</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Early intervention – Families with a Future	Statutory Client Request	Ongoing	Certified	June 2016 claim reviewed and certified by DAP.	

The following review will be commenced in the second half of 16/17:

- Adult Social Care Retained Client Functions - ANA - High

### Integrated Health and Wellbeing (Integrated Fund)

Integrated Fund Financial Reporting	ANA - High	Draft	Good Standard	<p>2015/16 was a "learning" year for combined financial reporting. Despite this, overall the reporting to partners and other bodies has been completed as required.</p> <p>We highlighted opportunity to:</p> <ul style="list-style-type: none"> <li>➤ strengthen the report compilation process,</li> <li>➤ refine the report format, and</li> <li>➤ develop reporting to a greater level of detail,</li> </ul> <p>all of which had started to be discussed and included in forward looking action plans.</p> <p>Overall, good progress has been made and reporting is in place, underpinned by information from both partner financial systems, which are, in turn, subject to separate review of controls by Internal and External Audit.</p>	
Integrated Fund	SRR83 – Amber ANA - High	Ongoing		<p>DAP has continued to monitor and support the actions of the Integrated Fund (IF). Assurance has been sought, and support provided through attendance and input at the IF Finance and Assurance Review Group which is tasked with coordinating assurance, financial reporting and risk management for the Integrated Commissioning Board.</p> <p>In addition, more formal input has been provided through the provision of an advisory paper on the role of the Pooled Fund Manager and presentation of Audit Report Summaries which are relevant to the IF.</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	

The following reviews will be commenced in the second half of 16/17:

- Compliance with/Delivery of Commissioning Strategies – ANA – Critical;
- CCG Success Regime – ANA – High.

### Integrated Health and Wellbeing (Transformation Programme)

Transformation Programme Board	ANA - Medium	Ongoing		During 2016/17, DAP has attended the Integrated Health and Well-being Programme Board to gain assurance on the processes and transformation actions, along with using the opportunity to provide live audit input to those with operational responsibility. Additionally we have provided summaries of the work undertaken which is relevant to IHWB Transformation and the ongoing work with the CCG and other partners.	Page 171
System Enablers Board	ANA - Medium	Ongoing		The System Enablers Board is a subgroup of the IHWB Programme, tasked with ensuring that IT requirements are identified and addressed. DAP has worked closely with the Project Manager to challenge and support ongoing work and provide an independent view on the longer term projects such as the 2020 Digital Partnership.	


The following reviews will be commenced in the second half of 16/17:

- Children's Improvement Board – ANA – High;
- Commissioning Improvement Board – ANA – High.

### Public Health

The following reviews will be commenced in the second half of 16/17:

- Joint IHWB Commissioning - Design of Future Service Delivery – ANA – High;
- Joint IHWB Commissioning - Service Delivery Performance Frameworks – ANA – High



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
<b>Place</b>					
Highways Maintenance Contract – letting and mobilisation	SRR107 - Amber ANA - Critical	Ongoing		Audit was involved in the preparation of Initial Tender documentation and subsequent evaluation and moderation sessions. Prior to the issuing of final tender documents, Audit verified the Price List spreadsheet to ensure that it was fit for purpose. Final bid submissions were received on 12th August and Audit, once again, observed the evaluation and moderation of those bids and formally verified the procurement results along with Legal at the beginning of September ahead of preferred bidder political approval and contract award by 30 Sept.	
Waste PFI		On-Going		Audit has continued its participation with the Partnership, attending Project Executive and have been asked to provide support and advice on contract management issues and the annual reconciliation process which is going through its first iteration. Audit will be asked to “sign off” the Partnership accounts.	
Planning Compliance	ANA – Low (Client Request)	Draft	Good Standard	<p>Planning Compliance is proportionate and in accordance with legislation and best practice. Appropriate outcomes are achieved through effective negotiation reducing the number of cases where formal enforcement action is necessary.</p> <p>The current IT systems have not been sufficiently developed to provide effective management and customer information. Idox Uniform and Enterprise systems are due to be implemented in October 2016 and this provides the service with the opportunity to deploy new functionality to capture planning compliance data and further improve the quality and availability of information to aid timely and effective decision making.</p>	
Street Services	SRR95 - Red ANA - High	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.	N/A
On-Call Service	Management Request	In Progress		The focus of this audit is to review the efficiency and effectiveness of procedures regarding the operation of the Street Services out of hours’ on-call service.	



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Trade Waste	Management Request	In Progress		The Council has provided a Trade Waste Collection Service to City businesses for many years and the focus of this review is to identify and appraise the efficiency and effectiveness of the system in operation, highlighting any opportunities for improvement identified during our work.	
Highways Act – Section 38 and Section 278	ANA – Low Client Request	In Progress		<p>The objective of the review is to ensure the best possible service provision from the team responsible for administration of agreements under Sections 38 and 278 of the Highways Act 1980. The review is considering:</p> <ul style="list-style-type: none"> <li>• Statutory Duty, Legislation and Policy;</li> <li>• Procedures and processes, including prioritisation and day to day working arrangements;</li> <li>• Use of IT;</li> <li>• Maximisation of income streams;</li> <li>• Protection of Council interests, including Cash Bonds, Commuted Sums and accounting arrangements.</li> </ul>	
History Centre (Record Office)	SRR108 Red ORR – ANA –Medium	On-Going	Value Added	Whilst Audit are not part of the Project Board, we do have sight of board papers which enables us to keep abreast of progress with the project and allows us to then review/challenge particular decisions and actions.	
Plymouth City Market	ANA - Medium Client request	In Progress		The purpose of this review is to consider the effectiveness and efficiency of the procedures and controls in operation for the collection, banking and recovery of Market rents. Any recommendations for improvement can be considered alongside the Market refurbishment which is due to be completed at the end of the year	

The following review will be commenced in the second half of 16/17:

- Fleet Management inc Tranman and Operators Licences ANA - Medium
- Environmental Projects ANA - Medium
- Events Planning & Delivery Client Request

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
<b>Cross Cutting</b>					
Civica Financials Project	ORR F7 ANA - High	On-Going		The work to improve the Civica systems has been included within the scope of the technology workstream within the Finance FIT project. DAP will provide input to the project to support successful design and implementation of business changes, ensuring that the necessary controls are in place.	
Business Continuity	SRR08 - Green, ORR CS5 - Amber ANA - High	On-Going		DAP continues to be a member of the Council's Business Continuity Strategy Group as Trusted Advisor. In addition, Audit give consideration to issues relating to Business Continuity plans within individual service reviews and projects that it has involvement in.	
Commercialisation	ANA - High	On-Going		Audit has met with the Strategic Commercial Manager to discuss the Council's strategy for seeking and developing commercial opportunities. Audit will look to provide support and challenge to this programme and its workstreams as well as considering how the commercialisation strategy can be applied as we carry out work in other audit areas.	
<p>The following review will be commenced in the second half of 16/17:</p> <ul style="list-style-type: none"> <li>➤ Alternative Service Delivery Vehicles (ASDV) ANA – High</li> <li>➤ Review of Major Contracts ANA – High</li> <li>➤ Co-operative Review of Services ANA – High</li> <li>➤ Firmstep Digital Platform ANA – High</li> <li>➤ Contract Management Strategy / Retained Client Function ANA - High</li> </ul>					
<b>Grants</b>					
Rogue Landlord	Regulatory Requirement	Complete	Certified	No issues identified	
Derriford Transport Scheme	Regulatory Requirement	Complete	Certified	No issues identified	
DFT Local Transport Capital Block	Regulatory Requirement			To be completed by 30 September	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
DFT Challenge Fund	Regulatory Requirement			To be completed by 30 September	
DECC Green Deal Communities Fund	Regulatory Requirement			To be completed by 30 September	
DCLG Plymouth City Deal (South Yard)	Regulatory Requirement			To be completed by 30 September	

### Other Chargeable Activities (not incorporated above)

Completion of 2015/16 Audit Plan

The following reviews conducted as part of the 2015/16 Audit Plan have been finalised since April 2016, the findings of these reviews were reported in the Audit Annual Report presented to Audit Committee in June..

- Council Tax
- NNDR
- Housing Benefits
- Debtors
- Creditors

- Main Accounting System
- Treasury Management
- Payroll
- Recruitment - Pre Employment Checks
- Integrated Health and Wellbeing – Governance & Risk Management

The following reviews conducted as part of the 2015/16 Audit Plan have had their findings reported in draft and Audit await management responses to the recommendations.

- DOLS - Statutory Compliance
- DOLS - Internal Processes
- IHWB Governance & Risk Management

The findings of these reviews were reported in the Audit Annual Report presented to Audit Committee in June

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**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Internal Audit – Follow-Up Work
<b>Committee:</b>	Audit Committee
<b>Date:</b>	15 September 2016
<b>Cabinet Member:</b>	Councillor Darcy
<b>CMT Member:</b>	Lesa Annear (Strategic Director for Transformation and Change)
<b>Author:</b>	Robert Hutchins, Head of Devon Audit Partnership
<b>Contact details:</b>	Tel: 01752 306710 Email: Robert.hutchins@devonaudit.gov.uk
<b>Ref:</b>	AUD/RH
<b>Key Decision:</b>	No
<b>Part:</b>	I

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**Purpose of the report:**

This report 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 2015/16 to date and reported on.

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**The Corporate Plan 2013/14 - 2016/17:**

The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting high standards of service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council’s statutory obligations.

The delivery of the Internal Audit Plan assists all directorates in delivering outcomes from the Corporate Plan:-

- Pioneering Plymouth – by ensuring that resources are used wisely and that services delivered meet or exceed customer expectations;
  - Confident Plymouth - the Government and other agencies have confidence in the Council and partners.
- 

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

None

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

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

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**Equality and Diversity:**

Has an Equality Impact Assessment been undertaken? No

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**Recommendations and Reasons for recommended action:**

It is recommended that:-

- I. The report be noted.
- 

**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.

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**Published work / information:**

Internal Audit Annual Report 2015/16 – June 2016

**Background papers:**

None

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**Sign off:**

Fin		Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member													
Has the Cabinet Member(s) agreed the content of the report? Yes													

# Internal Audit Report

Follow Up Report on  
Areas Requiring  
Improvement

Plymouth City Council

*September 2016*

Robert Hutchins  
Head of Audit Partnership



Auditing for achievement

## **Devon Audit Partnership**

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The Devon Audit Partnership has been formed under a joint committee arrangement comprising Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk).

## **Confidentiality and Disclosure Clause**

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This report is protectively marked in accordance with the 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**

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At the June Audit Committee, members were provided with the Annual Internal Audit report for the Council. Appendix 4 of that report provided a summary of the audits undertaken during 2015/16, along with our assurance opinion. Where a “high” or “good” standard of audit opinion was been provided we confirmed that, overall, sound controls were in place to mitigate exposure to risks identified; where an opinion of “improvement required” was provided then issues were identified during the audit process that required attention. We provided a summary of some of the key issues reported that were being addressed by management and pointed out that we were content that management were appropriately addressing these issues.

As part of adding value, Devon Audit Partnership has completed follow up reviews to provide updated assurance to members. The results from this process are contained in this report at Appendix A.

## **Assurance Statement**

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Our assurance opinion remains as reported in our Annual Audit Report 2015/16; ‘Significant Assurance’.

## **Progress Impact Assessment**

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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 may result in some 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.

### **Internal Audit Coverage and Results**

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Overall we can report that for the majority of audits, progress is being made against the agreed recommendations following our initial work and this is shown in the direction of travel chart above and in Appendix A of this report. Whilst 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 management may consider it is either not economically appropriate to address this risk, or technical solutions are not yet available. In such cases management will need to 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 2015/16, were identified as 'improvements required' or 'fundamental weaknesses'. The appendix shows the current (updated) assurance opinion as a result of our follow up work, together with an indication of 'direction of travel'. We have also provided some more detailed commentary on progress being made and the remaining risks. Appendix B provides a definition of the assurance opinion categories.

### **Annual Governance Statement**

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The conclusions of this report provide further internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

These should be considered along with the conclusions from the Annual Audit Report 2015-16 presented to the Committee in June 2016.

## **Process**

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For each service area where an overall audit opinion of “improvements required” was provided at the end of 2015/16 we completed a follow up review. The follow up review was undertaken to provide assurance to management and those charged with governance, that the agreed actions identified at our initial audit visit had been implemented, or suitable progress is being made to address the areas of concern.

Our approach was to initially write to the appropriate service manager to obtain an update on progress being made against agreed audit recommendations. The level of assurance we requested was dependent upon the priority of the agreed recommendation.

For "high" priority recommendations we required written confirmation that the action had been enacted upon, or an update on the progress being made, plus some evidence to support this (as above) plus, and depending upon the nature of the recommendation, we considered a physical visit to confirm that the recommendation was operating as expected and that the identified risk had been reduced to an acceptable level.

For "medium" priority recommendations we required written confirmation that the action has been enacted upon, or an update on the progress being made, plus some evidence to support this. For example, if the recommendation was for a monthly imprest reconciliation to be produced and signed as correct, then a copy of the most recent reconciliation was required.

For recommendations of "low" priority we required written confirmation that the action had been enacted upon, or an update on the progress being made.

Following the completion of our review we considered the progress made against of the agreed recommendations. This then enabled us to reconsider our assurance opinion against each of the risk areas identified, and has enabled us to reconsider our overall assurance opinion enabling an updated opinion to be provided where appropriate.

It should be noted that this updated opinion is based upon the assumption that systems and controls as previously identified at the original audit remain in operation and are being complied with in practice. The purpose of our follow up exercise has not been to retest the operation of those previously assessed controls, but to consider how management have responded to the agreed action plans following our previous work

## **Recommendations**

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It is recommended that the report be noted.

**Robert Hutchins**  
**Head of Audit Partnership**


# Summary of Audit Follow-Ups and Findings 2015-16

**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 2016	Updated Audit Assurance Opinion as at 19 August 2016	Commentary and residual risk	
<b>Cross Cutting</b>					
Management of DELT Contract	ANA – High	Improvements Required	Improvements Required	A follow-up is currently being undertaken by Audit South West who carried out the original review. We await the findings of the follow up at which time we will re-consider the Audit Assurance Opinion.	N/A
Academy - Housing Benefits	ANA - High	Improvements Required	Improvements Required	<p>The 2015/16 audit of Housing Benefits identified three key areas where it was considered that the controls and procedures in place did not adequately mitigate the risks. The control weaknesses related to the lack of:</p> <ul style="list-style-type: none"> <li>• quality assurance checking being undertaken in respect of the processing of claims,</li> <li>• risk based verification (RBV) procedures,</li> <li>• proactive administration and monitoring of Housing Benefit overpayments.</li> </ul> <p>Whilst following the completion of our follow up work our audit</p>	

				opinion remains as Improvements Required, the direction of travel is positive. All of the agreed recommendations have been acted upon or are in progress and it is anticipated that these will be fully embedded by the time of the full audit review planned for later this year.	
Adult Social Care Clients Direct Payments Pre-Paid Cards (Follow Up)	ANA - High	Improvements Required	Improvements Required	<p>The first follow-up into the use of pre-paid cards resulted in an action plan to be managed within PCC ASC. The transfer of adult social care to Livewell Southwest in April 2015 removed the direct oversight for the implementation of a number of the original recommendations. Following this there was a focus on the update of operational processes within PCC and clarification of retained roles and responsibilities.</p> <p>This has led to a project group being set up to look at the end to end processes. Work will include updating written procedures and guidance for Social Workers and Business Support and will include documents sent to clients or 3<sup>rd</sup> party representatives. Audit will be meeting with the project lead in the Autumn for an update on progress.</p>	
Print & Document Services (PADS)	ANA - High	Improvements Required	Good Standard	<p>Works have been undertaken to physically secure the service area in accordance with audit recommendations and changes to procedures relating to incoming post mean that NHS and PCC teams no longer need to access the service area.</p> <p>A successful bid to the Risk Management Fund enabled the fire doors to be replaced with ones which could be locked and added to the main door security system for the building.</p>	
Corporate Landlord Follow Up	ANA - High	Improvements Required	Improvements required	Recommendations were previously made regarding the potential development of the Dynamics system as current limitations were hindering the maintenance of reliable information regarding service delivery and performance. At the time of the previous follow up a solution was being progressed with DELT.	

				<p>Currently work remains ongoing regarding the implementation of the outstanding recommendations due to the Council's shift to the Firmstep digital platform which is in the process of being tested regarding it's application to Corporate Landlord services.</p> <p>Whilst this represents a positive direction of travel, it is not possible to upgrade the audit opinion to good standard until the new arrangements / procedures in relation to Firmstep are implemented and have had sufficient time to become embedded.</p>	
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## 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.





# PLYMOUTH CITY COUNCIL

REPORT TO THE AUDIT COMMITTEE - DRAFT

Audit for the year ended 31 March 2016 - Issued to the Audit Committee - September 2016



## PURPOSE AND USE OF THIS REPORT

We present our report to the Council’s Audit Committee which sets out the key findings arising from the audit for the attention of those charged with governance. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK & Ireland) which provide us with a framework which enables us to form and express 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 nor 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 and providing our value for money conclusion. As the purpose of the audit is for us to express an opinion on the financial statements and provide a value for money conclusion, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

This report has been prepared solely for the use of the Audit Committee. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

We would like to thank staff for their co-operation and assistance during the audit.



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# SUMMARY

## AUDIT SCOPE AND OBJECTIVES

- We have completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to the resolution of matters set out in the outstanding matters on page 16 of this report
- There were no significant changes to our planned audit approach nor were any restrictions placed on our work
- No additional significant audit risks were identified during the course of our audit procedures subsequent to our audit planning report to you dated 14 March 2016.
- Our materiality levels have not required reassessment since our audit planning referred to above.

## KEY AUDIT AND ACCOUNTING MATTERS

- The key matters that have arisen in the course of our audit are summarised below:
  - i. The deficit on the provision of services is understated by £416,000. This is due to the fact that the Council received updated Tamar Bridge and Torpoint Ferry Statements after the main accounts were completed. The Council considered amending the accounts, but the adjustment is below the materiality level and so amendment was not considered necessary.
  - ii. An error was identified in the Comprehensive Income and Expenditure Statement due to a capital adjustment.
  - iii. The Council published the draft Statement of Accounts by the 30<sup>th</sup> June 2016 deadline, but were not able to supply these in full within the originally agreed deadline of 13 June 2016 due to staffing changes. As a consequence of the of staffing changes at the Council and this being the first year that we audited the Council we had to perform additional testing to support our audit opinion. There were some delays resulting in some additional audit costs.

## AUDIT OPINION

- Subject to the successful resolution of outstanding matters set out in the outstanding matters section of this report we anticipate issuing an unqualified opinion on the financial statements for the year ended 31 March 2016
- We have no matters to report in relation to the Annual Governance Statement
- We are satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources and we anticipate issuing an unqualified value for money conclusion for the year ended 31 March 2016.

## OTHER MATTERS FOR THE ATTENTION OF THE AUDIT COMMITTEE

- Our review of the Council's Whole of Government Accounts (WGA) data collection tool is still in progress
- We received an elector's objection regarding the authorisation of expenditure for the MTV Crashes event held in 2015. While we have not identified any significant issues as a result of this but have raised some recommendations to improve the clarity of the Council's processes around authorising such activities. We are awaiting the elector's response to our findings and will confirm the latest position and the impact on the date of our audit certificate at the Audit Committee.
- Our observations on the quality of the audit and our audit independence and objectivity and related to matters are set out in Appendices VIII and V.

## KEY AUDIT AND ACCOUNTING MATTERS

### SIGNIFICANT AUDIT RISKS

We reported our risk assessment, which brought to your attention areas that require additional or special audit consideration and are considered significant audit risks, in the 2015/16 audit planning report dated March 2016. These significant risks have been highlighted in red and findings have been reported in the following table.

We have since undertaken a more detailed assessment of risk following the completion of our review of the Council's internal control environment and draft financial statements, and we have not identified any additional significant risks.

NATURE OF RISK	RISK DESCRIPTION AND RELATED CONTROLS	HOW THE RISK WAS ADDRESSED BY OUR AUDIT	CONCLUSION
MANAGEMENT OVERRIDE OF CONTROLS	Auditing standards presume that a risk of management override of controls is present in all entities.	We reviewed the appropriateness of journal entries and other adjustments to the financial statements.  We also reviewed accounting estimates for evidence of possible bias and obtained an understanding of the business rationale of significant transactions that appeared to be unusual.	No issues have been identified in our review of the appropriateness of journal entries and other adjustments made to the financial statements.  Our work on accounting estimates has not identified any evidence of bias.
REVENUE RECOGNITION	Auditing standards presume that there are risks of fraud in revenue recognition. These risks may arise from the use of inappropriate accounting policies, failure to apply the Council's stated accounting policies or from an inappropriate use of estimates in calculating revenue.  We also consider there to be a significant risk in relation to the completeness and existence of fees and charges and property rental income recorded in the CIES.	We carried out procedures to gain an understanding of the Council's internal control environment relevant to preventing loss of income and ensuring that income is recognised in the correct accounting period.  We tested a sample of transactions to confirm that it was appropriate to recognise the income and that it had recorded in the correct accounting period.	No issues have been identified by our testing of revenue.
Waste to energy PFI	The Council, in partnership with Torbay Council and Devon County Council is a member of the SW Devon Waste Partnership. The Partnership has jointly procured a waste to energy arrangement run by MVV Umwelt through a Private Finance Initiative and the facility became operational in September 2015.	We reviewed the accounting of the scheme, using a PFI specialist within the BDO team. This was complex because the Councils disagreed with the financial advice given by their advisors, although the advisors did say that it was finely balanced. We also reviewed the way the scheme was accounted for in the financial statements.	We are satisfied that the Council's treatment of this scheme has been appropriate.

# KEY AUDIT AND ACCOUNTING MATTERS

## Continued

### OTHER AUDIT RISKS AND ACCOUNTING ISSUES

We report below our findings of the work designed to address all other risks identified in our 2015/16 audit planning report and any other relevant audit and accounting issues identified as a result of our audit: ■ **Normal risk** ■ **Other issue**

NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
Investment Property valuations	The Code has introduced a change in the basis of valuation of investment properties (IFRS 13), from a market value to a 'highest and best use' valuation. The Council will instruct the valuer to carry out the annual valuation of the investment property portfolio having regard to the possibility of significant change in valuations under the highest and best use approach.	We tested a sample of properties to confirm the property met the Investment Property definition and confirmed the valuation basis. We are satisfied that the Council's treatment of its investment properties has been appropriate.
Property Plant and Equipment (PPE) valuations.	Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the fair value at the balance sheet date. Valuations are performed at least every five years.	We reviewed the valuation performed by the Council's external value and tested a sample of assets to confirm the valuation had been correctly accounted for. We are satisfied that the Council's treatment of its PPE has been appropriate.
Group Entities	The Council has a financial interest in a number of other entities including CaterED, a company providing catering to schools and DELT, a joint venture with NEW Devon CCG. The Council is also a partner with the CCG in a pooled budget for health and social care.	We reviewed the accounts of both CaterEd and DELT, which were not consolidated. We also tested the expenditure relating to the pooled budget and liaised with the auditors of NEW Devon CCG. We are satisfied that the Council's decision to not consolidate the results of CaterED and DELT was appropriate on the grounds that the adjustments would have been immaterial. We are also satisfied that the treatment of the Council's transactions in connection with the pooled budget are also correct.

# KEY AUDIT AND ACCOUNTING MATTERS

## Continued

### OTHER AUDIT RISKS AND ACCOUNTING ISSUES

We report below our findings of the work designed to address all other risks identified in our 2015/16 audit planning report and any other relevant audit and accounting issues identified as a result of our audit: ■ **Normal risk** ■ **Other issue**

	NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
Pension Liability assumptions	<p>The net pension liability comprises the authority’s share of the market value of assets held in the Local Government Pension Scheme (LGPS) and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>We tested the amounts and disclosures recorded in the Council’s accounts to information provided by the Pension Fund actuary. We also requested information from the LGPS auditor to provide assurance on the amounts disclosed in the Council’s accounts.</p>	<p>The amounts and disclosures made by the Council have been appropriate (subject to final completion of our procedures including receipt of information from the Pension Fund auditor).</p>
Non-domestic rates appeals provision	<p>Billing authorities are required to estimate the value of potential refund of business rates arising from rate appeals, including backdated appeals. Management use information provided by the Valuations Office to calculate a success rate for specific business types for settled appeals, and applies an appropriate rate to each type of business appeal still outstanding at year end.</p> <p>We consider there to be a risk in relation to the estimation of the provision.</p>	<p>We have reviewed the information provided by management to support the basis of the provision.</p>	<p>The approach followed to calculate the provision has been reasonable.</p>

# KEY AUDIT AND ACCOUNTING MATTERS

## Continued

### OTHER AUDIT RISKS AND ACCOUNTING ISSUES

We report below our findings of the work designed to address all other risks identified in our 2015/16 audit planning report and any other relevant audit and accounting issues identified as a result of our audit: ■ **Normal risk** ■ **Other issue**

	NATURE OF RISK	WORK PERFORMED AND FINDINGS	CONCLUSION
HIGHWAYS NETWORK ASSETS	The Code will adopt the revised basis for valuations of highways network assets from 2016/17 (depreciated historic cost to depreciated replacement cost), and this will require implementation from 1 April 2016 but with no restatement for 2015/16.	We reviewed the “new Accounting Standards adopted but not yet implemented” disclosure.	No matters arising.
RELATED PARTY TRANSACTIONS	We need to consider if the related parties disclosures in the financial statements are complete and adequate.	We reviewed the Council’s procedures for identifying related party transactions for disclosure in the related parties note, including signed declaration forms from members and senior officers. We carried out Companies House checks for a sample of members and senior officers and checked the completeness of interests included in the declaration forms. We also considered the completeness of related party disclosures based on knowledge gained from our other audit work.	The Council has adequate procedures for identifying related party transactions and our audit did not identify any omissions or inaccuracies in the related parties note in the financial statements.
NARRATIVE REPORTING	The Council is required to prepare a “Narrative Report” which replaced the Explanatory Foreword	We reviewed the Council’s Narrative Report to confirm that it contained all the required disclosures. We also assessed the Report against the knowledge that we have obtained as auditor.	No matters arising.
FRAUD AND ERROR	We enquired of management regarding any instances of fraud in the period, and considered throughout the audit the possibility of material misstatements due to fraud or error.	Our audit procedures have not identified any material errors due to fraud.	No matters arising.



# KEY AUDIT AND ACCOUNTING MATTERS

## Continued

### ACCOUNTING ESTIMATES

Our views on significant estimates, including any valuations of material assets and liabilities, arrived at the preparation of your financial statements are set out below.

We have assessed how prudent or aggressive the estimate is based on the level of caution applied by management in making the estimate under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenditure are not understated.

### ESTIMATES

#### PROPERTY, PLANT & EQUIPMENT (PPE) AND INVESTMENT PROPERTY VALUATIONS

Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) and investment properties is not materially different to the current value or fair value at the Balance Sheet date.

The valuation land and buildings included in PPE is a management estimate based on market values or depreciated replacement cost (DRC). Management uses external valuation data to assess whether there has been a material change in the value of classes of assets and periodically (minimum of every five years) employs an external expert (valuer) to undertake a full valuation. The indices available to management to assess valuation changes are produced independently and are based on observable data (asset sales and building contract prices).

The Code of Practice on Local Authority Accounting 2015/16 (the Code) introduced a change in the basis of valuation of surplus assets and investment properties under International Financial Reporting Standard (IFRS) 13, from existing use value (in the case of surplus assets) or market value (in the case of investment properties) to a 'highest and best use' valuation. This means that valuations may be significantly different in certain circumstances. >

### AUDIT FINDINGS AND CONCLUSIONS

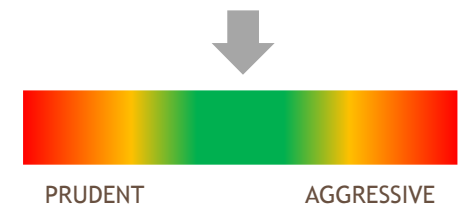
The Council engaged an external valuer to value its land and buildings as at 31 March 2016. This resulted in a net upwards revaluation movement of approximately £3 million in the year for PPE and Investment Property.

We assessed the valuer's competence, independence and objectivity and determined we could rely on the management expert.

We reviewed the valuations provided and the valuation methodology applied, and confirmed that the basis of valuation for assets valued in year is appropriate based on Code requirements.

We compared the valuations to expected movements using available market information and concluded that the movements are within expectations.

The valuer also confirmed that there was no material movement in valuation between the valuation date and year end. This was corroborated by review of available market information.



# KEY AUDIT AND ACCOUNTING MATTERS

## Continued

### ESTIMATES

#### PENSION LIABILITY ASSUMPTIONS

The pension liability comprises the Council's share of the market value of assets held in the Devon County Council Local Government Pension Scheme (LGPS) and the Council's share of the value of the estimated future liability to pay pensions.

An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation. Management has agreed the assumptions made by the actuary to support the estimate and these are disclosed in the financial statements.

We have reviewed the reasonableness of the assumptions applied by comparing these to the expected ranges provided by an independent consulting actuary report. >

### AUDIT FINDINGS AND CONCLUSIONS

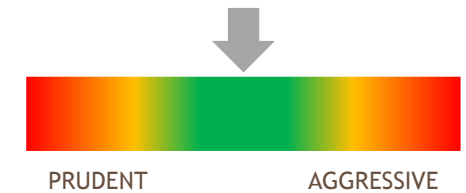
As at 31 March 2016 net pension deficit disclosed in the Balance Sheet amounted to approximately £455 million (deficit at 31 March 2015 was £505 million).

It should be noted that these retirement benefits (liabilities) will not actually be payable until employees retire but because the Council has a commitment to make the payments (for those benefits) there is a requirement to disclose the information in the accounts at the time employees earn their future entitlement.

The last formal valuation of the Fund was carried out as at 31 March 2013. In order to assess the value of the Council's liabilities as at 31 March 2016 the actuary has rolled forward the value of the liabilities calculated at the latest formal valuation, allowing for up to date financial assumptions.

The key changes to the financial assumptions related to an increase in the discount rate for discounting scheme liabilities to 3.7% from the prior year rate of 3.3%.

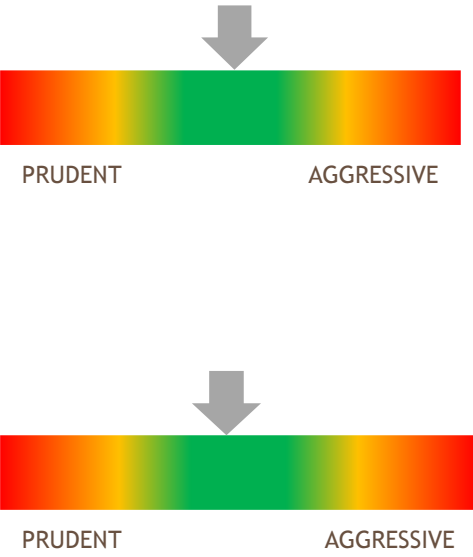
We have compared the assumptions used by the actuary to calculate the present value of future pension liabilities with the expected ranges provided by the independent consulting actuary. We are satisfied that the assumptions used are not unreasonable or outside of the expected ranges.



# KEY AUDIT AND ACCOUNTING MATTERS

## Continued

ESTIMATES	AUDIT FINDINGS AND CONCLUSIONS
<p><b>ALLOWANCE FOR NON-COLLECTION OF RECEIVABLES</b></p> <p>The Council’s largest allowances for impairment of receivables relate to housing benefit overpayments and collection fund receivables for council tax and business rates.</p> <p>The Council estimates the housing benefits overpayments impairment allowance using collection rate data. For Collection Fund debtors, the impairment allowances are based on write off rates, as credit control processes are robust and amounts are only written out after all recovery procedures are exhausted, which can take many years.</p> <p>We have reviewed management’s calculations and considered the reasonableness of the estimates .</p>	<p>Overall we have concluded that the impairment allowances for receivables are reasonable.</p> <p><b>Council tax arrears</b></p> <p>The total allowance for the non-collectability of Council Tax amounted to £3.1 million at 31 March 2016. This represents an increase of approximately £0.5 million compared to the prior year. We are satisfied that the impairment calculation is based on actual write off rates and is reasonable.</p> <p><b>Business rates arrears</b></p> <p>The total impairment allowance for the Collection Fund at 31 March 2016 is £0.7 million, a reduction of £0.2 million from the prior year.</p> <p>We are satisfied that the impairment calculation is based on actual write off rates and is reasonable.</p>
<p><b>NON DOMESTIC RATES APPEALS PROVISION</b></p> <p>The Collection Fund has provided £2.1 million in respect of appeals against rateable value that have not settled at 31 March 2016.</p>	<p>We have considered the basis of the provision and consider it is reasonable.</p>



# KEY AUDIT AND ACCOUNTING MATTERS

## Continued

### FINANCIAL STATEMENT DISCLOSURES

Our views on the sufficiency and content of your financial statements' disclosures are set out below:

#### DISCLOSURE AREA

#### AUDIT FINDINGS AND CONCLUSIONS

OTHER DISCLOSURE ISSUES >

We agreed a number of changes to the narrative supporting the financial statements including the removal of obsolete lines from the accounts. We also agreed a post balance sheet event disclosure note on the result of the referendum on the UK to leave the European Union.

# KEY AUDIT AND ACCOUNTING MATTERS




## Continued


















### OTHER MATTERS

We are required to communicate certain other matters to you. We deal with these below, either directly or by reference to other communications.







MATTER		COMMENT
1	Our responsibility for forming and expressing an opinion on the financial statements	See our audit planning report to you dated March 2016
2	An overview of the planned scope and timing of the audit	See our audit planning report to you dated March 2016
3	Significant difficulties encountered during the audit	All relevant matters have been included within this report.
4	Significant matters arising from the audit that were discussed with management or were the subject of correspondence with them, and any other matters arising from the audit that in our judgment are significant to the oversight of the financial reporting process	All such matters have been dealt with elsewhere in this report.
5	Written representations which we seek	A draft version of the written representations forms Appendix VI.
6	Any fraud or suspected fraud issues	We have no matters to report.
7	Any suspected non-compliance with laws or regulations	We have no matters to report.
8	Uncorrected misstatements, including those relating to disclosure	A schedule of uncorrected misstatements is included at Appendix II.
9	Significant matters in connection with related parties	We have no matters to report.









# SUMMARY OF AUDIT FINDINGS

STATUS	REPORTING LEVEL
 Not started	Significant issue
 In progress	Raised for your attention
 Complete	No issue identified

AUDIT WORK STATUS		REPORTING LEVEL	ISSUE TO REPORT	ADJUSTMENTS MADE	UNADJUSTED ITEMS	REPRESENTATION REQUIRED
	Journals		N	N	N	N
	Property, plant and equipment		Y	Y	N	N
	Debtors		N	N	N	N
	Cash and cash equivalents		N	N	N	N
	Short and long term investments		N	N	N	N
	Creditors		N	N	N	N
	Short and long term borrowing		N	N	N	N
	Employee benefits		Y	N	Y	Y
	Other expenditure		Y	N	Y	Y
	Grant income		N	N	N	N
	Other income		N	N	N	N
	Collection fund		N	N	N	N
	Related party transactions		N	N	N	N
	Financial instruments		N	N	N	N
	Cash Flow Statement		N	N	N	N

# SUMMARY OF AUDIT FINDINGS

STATUS		RISK LEVEL	
	Not started		Significant issue
	In progress		Raised for your attention
	Complete		No issue identified

AUDIT WORK STATUS		RISK LEVEL	ISSUE TO REPORT	ADJUSTMENTS MADE	UNADJUSTED ITEMS	REPRESENTATION REQUIRED
	Whole of Government Accounts		N	N	N	N
	Annual Governance Statement		N	N	N	N
	Narrative Report		N	N	N	N
	Use of resources		N	N	N	N

# OUTSTANDING MATTERS

We have substantially completed our audit work in respect of the financial statements for the year ended 31 March 2016, and anticipate issuing an unqualified opinion on the financial statements.

The following matters are outstanding at the date of this report. We will update you on their current status at the **Audit Committee** at which this report is considered:

- 1 Clearance of outstanding issues we have raised with management including final review of accounts

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- 2 Receipt of audited accounts for CaterED

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- 3 Review and agreement of the final WGA data collection tool against the final set of financial statements

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- 4 Completion of subsequent events audit work

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- 5 Management representation letter, as attached in Appendix VI to be approved and signed

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# OTHER REPORTING MATTERS

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

	MATTER	COMMENT
1	<p>The Council’s draft financial statements, were signed on 30 June 2016 deadline.</p> <p>The Council’s finance team continued to work on these draft financial statements up until the deadline.</p> <p>We noted that a revised version of the accounts was placed on the Council’s website after 30 June and these have subsequently been removed.</p> <p>A number of errors were identified after 30 June</p>	<p>We commenced our fieldwork for the final audit in June 2016 and were provided with an early draft of the accounts .</p> <p>The signed draft was provided on 30 June 2016, the final date before the statutory deadline and members of the Council’s finance team needed to work up to the deadline to achieve the statutory timeframe. There were staffing changes within the finance team that added to the difficulties.</p> <p>One implication of the need for key Council officers to continue working on the accounts up to the 30 June deadline was that it was difficult to obtain documents and explanations in the early stages of the fieldwork. We also identified that some of the schedules and working papers that we had been provided with when we commenced our work needed to be corrected and that some of the early audit work needed to subsequently be-performed. This has resulted in additional audit costs. However, there was a significant improvement in the position following a progress meeting held mid audit. We also recognise that this was our first year as the Council’s auditors and there are areas we can improve on as well and will review with the Council the operation of the off-site working arrangements in the early phases of the final audit.</p> <p>The accounts that were initially placed on the Council’s website on 30 June 2016 and are available for public inspection have also been subject to change. The Council’s Assistant Director for Finance and Section 151 Officer will be preparing a report setting out the changes and presenting this to the Audit Committee on 15 September 2016.</p> <p>The most significant change related to an adjustment of approximately £50 million relating to the revaluation of assets and was initially incorrectly accounted for in the accounts. The major cause of the error related to revaluation of assets initially being accounted for as a deficit in the Consolidated Income and Expenditure Statement.</p> <p>We agreed that the revised version that were posted on the Council’s website after 30 June 2016 should be removed until the audit is complete.</p>
2	<p>We review the Annual Governance Statement to confirm that it meets the disclosure requirements in ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007. We are also required to be satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council’s review of effectiveness and our knowledge of the Council.</p>	<p>The Council goes through a detailed process involving several key officers to prepare its Annual Governance Statement.</p> <p>We have no matters to report.</p>
3	<p>We are required to read all the financial and non-financial information in the Narrative Report to the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.</p>	<p>We have no matters to report.</p>

# CONTROL ENVIRONMENT

## Significant deficiencies

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

As the purpose of the audit is for us to express an opinion on the Council’s financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal controls.

### SIGNIFICANT DEFICIENCIES

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
Quality control over audit working papers	As part of our planning, we had provided a detailed “request list” of working papers to support the draft financial statements and we commenced the detailed work in connection with our final visit in mid-June. However, the working papers that we were initially provided with contained many errors and frequently did not agree to the balance to which it related.	Significant delays in performing the audit work and errors in the financial statements.	Review disclosure notes in the financial statements prior to publishing the draft statements on the website. Ensure that the review is performed by an individual who is not responsible for the production of the note. Ensure there are sufficient resources within the finance team for the final audit.	We have already held two debrief sessions with senior finance management and finance staff to download what went well, what could have gone better and started the planning process for 2016/17 accounts. We recognise the need for improved QA . We have also discussed with you about PCC setting an internal publication date on which we will hand over the final draft set of accounts to BDO, this will ensure there are no movements or room for balances to change after the start of the audit We will start early discussions and engagement with BDO.
Audit of payroll costs	The audit of payroll costs was difficult because of the absence of a clear reconciliation confirming the correct and accurate processing of the Council’s payroll.	Risk of error in payroll numbers and risk of additional audit costs.	A monthly reconciliation confirming payroll costs should be produced.	Agreed and procedures will be put in place for 2016/17

# CONTROL ENVIRONMENT

## Other deficiencies and observations

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
<b>Lease documentation</b>	<p>One of our sample of leases where the Council is the lessor could not be located during the audit.</p> <p>Failure to have adequate documentation about each lease arrangement could create issues. For example, the Council could lose income if the arrangement contained an option to increase prices if there is no documentation to support the lease.</p>	Potentially inaccurate disclosure in the notes to the Statements and financial loss arising from error.	Although this related to an immaterial lease, this does raise a concern over the maintenance of the lease information and therefore the accuracy of disclosures in the financial statements. Lease information should be reviewed periodically against supporting documentation to ensure that the list is complete and that there is supporting documentation for all leases included in the list.	The lease in question was for £50. Documentation available was supplied. We will ensure that all service areas undertake a complete review of the leases held.
<b>Embedded leases</b>	The review of new contracts for embedded leases is performed infrequently and documented inconsistently. The last full review was for the 2013-14 financial year. The column in the Contracts Register is incomplete, with a number of contracts not annotated as reviewed.	There could be unidentified embedded leases that are being accounted for incorrectly, causing misstatements.	The policy for reviewing new contracts as they are entered onto the contracts register should be communicated to staff involved and there should be a review of the schedule periodically to ensure that it has been completed fully. Also, a test of this procedure or these contracts by IA would also confirm appropriateness of the control.	The Procurement Team are responsible for reviewing new contracts for embedded leases. The Contracts Register is currently being reviewed and as part of this process we will highlight the importance of identifying embedded leases in the contract information we hold.
<b>Fixed asset register</b>	The testing of the rolling revaluation note discovered that there are some assets that are identified as being held at FV on the fixed asset register that are actually held at historical cost.	Potential for misunderstanding or unnecessary expenditure in the event that an asset is valued that does not require this.	Update the fixed asset register to reflect the correct treatment of assets in the accounts so as to avoid the requirement to rely on memory and avoid potential complications.	We will be thoroughly reviewing the data provided for fixed assets as part of our closedown project for next year.

# CONTROL ENVIRONMENT

## Other deficiencies and observations

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE
Employee taxes	<p>As part of our audit procedures, we obtained input from one of our Employee tax specialists to provide assurance in connection with employee taxes.</p> <p>A small number of immaterial matters were raised and we have notified management.</p>	Possible failure to pay correct tax resulting in penalties to the Council.	Review issues raised by the BDO specialist and check that Council procedures address the point raised.	PCC Finance become aware of this report at our Director meeting mid August - we had no knowledge this work was commissioned. Having seen the report, we are working through the recommendations .
IT controls	We obtained input from one of our IT specialists to provide assurance around IT related controls. A number of matters were raised with management including a need to review user access and to also formally document procedures for leavers so that access rights are promptly removed when an employee leaves.	Inappropriate access to the Council's IT systems leading to fraud.	Access controls should be reviewed and leaver procedures updated to ensure that access rights are terminated promptly after a member of staff leaves the organisation.	We are currently working with HR to improve the information provided relating to staff changes and will be using this to update access controls regularly.
Elector's question: MTV crashes	<p>We received an objection relating to the MTV Crashes event. We considered one part of the objection as relevant to our responsibilities, as it was claimed that the Council's expenditure on the event was not properly authorised as the minute of the relevant Cabinet decision stated that it would be 'cost neutral'. We found that there was reference to an element of risk in the covering paper (albeit low risk) and that wider benefits were claimed for the event, therefore we were satisfied that the authorisation was adequate. However, the covering paper could have included more detail on the risk, including a sensitivity analysis and the minute of the decision could also have reflected this.</p> <p>We would also expect a paper to be prepared for Members to explain the reasons for any variance.</p>	Risks need to be fully considered for any decision that may involve public expenditure or there may be unexpected overspends and challenges to decisions made.	<p>When the Council is committing to underwriting an event or activity, a detailed risk assessment should be performed and a summary of this presented to Members who will approve the decision, with an appropriate reference in the decision minute.</p> <p>Following the event, where there has been a significant financial adverse variance, a paper explaining the reasons for the variance should be presented to Members.</p>	This has been noted and financial risks will feature more prominently in future reports.

# WHOLE OF GOVERNMENT ACCOUNTS

We comment below on other reporting required:

MATTER	COMMENT
<p>For Whole of Government Accounts (WGA) component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure we are required to perform tests with regard to the Data Collection Tool (DCT) return prepared by the Council for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level.</p> <p>This work requires checking the consistency of the DCT return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies.</p>	<p>HM Treasury’s WGA team issued a newsletter in June 2016 to explain the delay in issuing the DCT which was released on Monday 4 July. This means that local authorities’ deadline to submit the unaudited DCT to HM Treasury has been extended to 12 August 2016 and similarly our deadline to issue our audit opinion on the DCT has been extended to 21 October 2016.</p> <p>Our review of the Council’s WGA Data Collection Tool (DCT) is in progress.</p>

# USE OF RESOURCES

## Key informed decisions, deployed resources and sustainable outcomes

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money). This is based on the following reporting criterion:

- In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

There are three sub criteria that we consider as part of our overall risk assessment:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We reported our risk assessment, which included use of resources significant risks, in the 2015/16 Audit Plan issued in March 2016. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the draft financial statements, and we have not included any additional significant risks.

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
<p><b>SUSTAINABLE FINANCES</b></p>	<p>The Council has identified a financial resources shortfall of £23.9 million for 2016/17 and identified a savings programme to address this shortfall and eliminate the “budget gap” for 2016/17.</p> <p>The reduced level of financial resources ,combined with additional pressures, will require the Council to continue to achieve savings. For example, the Council’s Medium Term Financial Plan (MTFP) indicates that for the period from April 2017 to March 2020 further savings of approximately £37 million are required.</p> <p>We considered the Council’s MTFP and the basis of the assumptions within these forecasts. We also obtained details of the Council’s processes for managing the major transformation that will be required to achieve the cost savings. This included details of the Council’s monitoring arrangements and we reviewed the position at 30 June 2016.</p>	<p>The Council has prepared a medium term financial plan (MTFP) and has also instituted a process that seeks to address the financial challenge. It is evident that management have identified the successful achievement of the budget as a key priority and there is substantial focus on the steps that need to be taken.</p> <p>The Council has developed arrangements that are reasonable and close monitoring is in place. The detailed analysis of year to date net spend at the end of Quarter 1 (to 30 June 2016)’s identified a shortfall against the 2016/17 budget of approximately £3.8 million. Steps are being taken to address this shortfall.</p> <p>The Council is facing a major financial challenge but the arrangements in place are currently reasonable.</p>

# USE OF RESOURCES

## Continued

RISK	RISK DETAIL AND WORK PERFORMED	AUDIT ISSUES AND IMPACT ON CONCLUSION
INFORMED DECISION MAKING	<p>The NAO guidance includes assessing the arrangements for managing resources and making informed decisions. These arrangements are closely linked to the work in connection with sustainable resource deployment.</p>	<p>The Council has a reasonable arrangements in place.</p>
WORKING WITH PARTNERS AND OTHER THIRD PARTIES	<p>The guidance from the NAO on value for money requires us to consider partnership working by the Council.</p> <p>The Council has a number of partnership arrangements in place, including DELT, the waste to energy PFI and Better Care Fund (BCF). As with any partnership arrangements, there are risks around governance, control and value for money.</p>	<p>The Council has developed many arrangements with other organisations and in addition to the Integrated Fund with NEW Devon CCG, the Tamar Bridge and Tor Point Ferry operation represents a long-standing joint operation with Cornwall County Council. The Council’s arrangements with NEW Devon CCG are innovative and include genuine risk pooling and some joint Audit Committee meetings with the CCG.</p> <p>In addition, the Council has created a joint venture company with the CCG to provide IT services and the opportunity to expand DELT’s scope of work and customer base represents a future commercial opportunity.</p> <p>The Council has reasonable arrangements in place for working with others and the governance arrangements are satisfactory.</p>

# APPENDICES



## APPENDIX I: DEFINITIONS

TERM	MEANING
The Council	Plymouth City Council
'Those charged with governance'	The persons with responsibility for overseeing the strategic direction of the Council and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance for the Council are the members of the Audit Committee.
Management	The persons responsible for achieving the objectives of the Council and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for: <ul style="list-style-type: none"> <li>The financial statements (including designing, implementing, and maintaining effective internal control over financial reporting)</li> <li>Putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them.</li> </ul>
ISAs (UK & Ireland)	International Standards on Auditing (UK & Ireland)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards as adopted by the European Union
Materiality	The size or nature of a misstatement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable user of the financial statements would have been changed or influenced as a result of the misstatement.
The 'Code'	Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA / LASAAC (Chartered Institute of Public Finance and Accountancy / Local Authority Scotland Accounts Advisory Committee)
SeRCOP	Service Reporting Code of Practice for Local Authorities issued by CIPFA / LASAAC
SOLICE	Society of Local Authority Chief Executives
CIES	Comprehensive Income and Expenditure Statement

## APPENDIX II: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Audit Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, or in aggregate, on the opinion in the auditor's report.

### CORRECTED AUDIT DIFFERENCES

Management has made corrections in the revised draft financial statements .

A report identifying the changes is to be prepared for the Audit Committee by the Council's Assistant Director for Finance & Section 151 Officer.

### UNADJUSTED AUDIT DIFFERENCES

There is one unadjusted audit difference identified by our audit work which would increase the deficit on the provision of services in the CIES by £416,000 to £41.1 million (from £40.65 million) if adjusted.

A schedule showing the uncorrected audit difference is included on the following page, with misstatements recorded as factual misstatements, judgemental / estimation misstatements, or projected misstatements. We request that you correct these misstatements. Deliberate misstatement of known issues is not acceptable and identified misstatements should, where practicable, be corrected even if not material.

Management has stated that it considers these identified misstatements to be immaterial in the context of the financial statements taken as a whole.

## APPENDIX II: AUDIT DIFFERENCES

### UNADJUSTED AUDIT DIFFERENCES

UNADJUSTED AUDIT DIFFERENCES	£'000	INCOME AND EXPENDITURE		BALANCE SHEET	
		DR £'000	CR £'000	DR £'000	CR £'000
(Surplus)/deficit on the provision of services	40,650				
DR Re-measurement of the net defined benefit liability		416			
CR Defined benefit pension liability					416
This factual misstatement is due to the fact that the Council received updated Tamar Bridge and Torpoint Ferry financial statements after the main accounts were completed. The Council considered amending the accounts, but the adjustment is below the materiality level and so amendment was not considered necessary.	416				
<b>TOTAL UNADJUSTED AUDIT DIFFERENCES</b>					
(Surplus)/deficit on the provision of services if adjustments accounted for	41,066				

## APPENDIX II: AUDIT DIFFERENCES

### UNADJUSTED AUDIT DIFFERENCES

IMPACT ON GENERAL FUND	GENERAL FUND BALANCE £'000
Balances before adjustments	10,652
Adjustments to CIES above	(416)
<b>BALANCES AFTER ADJUSTMENTS</b>	<b>10,236</b>

#### UNADJUSTED DISCLOSURE MATTERS

No unadjusted disclosure matters were noted.

## APPENDIX III: MATERIALITY

### MATERIALITY - FINAL AND PLANNING

	FINAL	PLANNING
Materiality	£10.8 million	£10.8 million
Clearly trivial threshold	£324,000	£324,000

Planning materiality of £10.8 million was based on 2% of gross expenditure, using forecast outturn .

We had no reason to revise our final materiality level.

## APPENDIX IV: INDEPENDENCE

### INDEPENDENCE - THREATS TO INDEPENDENCE AND APPROPRIATE SAFEGUARDS

This is our first year of auditing the Council and accordingly no members of our team have been members of the Council's audit team for more than one year.

We have provided services other than audit to the Council as set out in Appendix V.

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired.

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

## APPENDIX V: FEES SCHEDULE

	2015/16	THREATS TO INDEPENDENCE ARISING	SAFEGUARDS APPLIED AND WHY THEY ARE EFFECTIVE
	£		
Audit fee	136,784	N/A	N/A
Additional costs incurred	24,830	N/A	N/A
Audit of PFI Waste to Energy accounting arrangements, including involvement of PFI specialist.	10,000	N/A	N/A
Certification fee (Housing benefits subsidy claim)	17,477	N/A	N/A
<b>TOTAL AUDIT FEE</b>	<b>189,091</b>		

# APPENDIX VI: DRAFT REPRESENTATION LETTER

TO BE TYPED ON CLIENT HEADED NOTEPAPER

<Date> <Month> <Year>

Dear Sirs

Financial statements of Plymouth City Council for the year ended 31 March 2016

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2016 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Assistant Director for Finance & Section 151 Officer has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2016 and of its income and expenditure and cash flows for the year then ended 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) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with international financial reporting standards and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving councillors, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.



## APPENDIX VI: DRAFT REPRESENTATION LETTER

### Continued

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We confirm that the above representations are made on the basis of enquiries of councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Andrew Hardingham

Assistant Director for Finance & Section 151 Officer

[date]

[Name]

[Title]

Signed on behalf of the Audit Committee

[date]

## APPENDIX VII: AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is committed to implementing a necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertake a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

We seek to make improvements and address weaknesses identified from both external and internal quality reviews. Where issues have been identified an action plan is put in place. These plans may relate to individual assignments, individual offices to be firm-wide and in each instance the outcome of these actions is subject to monitoring and have been the subject of our analysis of root causes. The actions may include, but are not necessarily limited to , one or more of the following:

- The implementation, where appropriate, of relevant training for the engagement team where the issue is team specific;
- The revision and production of additional guidance in connection with the firm's audit approach where we identify that an issue is more wide-spread;
- The development and delivery of firm-wide training;
- Amendments and/or enhancements to stream policies and procedures.





FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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### Audit Committee Work Plan 2016/17

Item	Lead Officer	2016							2017					
		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)	Rob Hutchings/ Dominic Measures	30						8						
Statement of Accounts 2015/16	Carolyn Haynes	30			15									
Operational Risk and Opportunity Register- Update Report	Mike Hocking	30						8						
Risk and Opportunity Management Annual Report 2015/16	Mike Hocking	30												
Annual Governance Statement 2015/16	Mike Hocking	30												
Annual Report on Treasury Management Activities for 2015/16	David Northey	30						8	❖					

### Audit Committee Work Plan 2016/17

		2016							2017					
Item	Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Strategic Risk and Opportunity Register Monitoring Report	Mike Hocking				15						16			
Internal Audit Plan 2016/17	Robert Hutchins / Dominic Measures										16			
Internal Audit – Progress Report	Robert Hutchins / Dominic Measures				15									
Internal Audit – Follow Up Work	Robert Hutchins / Dominic Measures				15									
External Audit Plan Progress Report 2015/2016	External Auditor BDO	30			15									
Audit Committee Update	External Auditor BDO							8			16			

**Audit Committee Work Plan 2016/17**

Item	Lead Officer	2016							2017					
		J	J	A	S	O	N	D	J	F	M	A	M	J
Annual Report to Those Charged with Governance (ISA260 Report) 2015/2016 including Value for Money (VFM)	External Auditor BDO				15									
Annual Audit Letter 2015/2016	External Auditor BDO							8						
Certification Plan	External Auditor BDO							8						
Certification Work Report 2015/2016	External Auditor BDO							8						
Audit Plan 2016/17	External Auditor BDO									16				
Audit Fee Letter 2016/2017	External Auditor BDO													
Review of Rolling Work Plan	Lead Officer/DSO	30			15			8		16				

## Audit Committee Work Plan 2016/17

Audit Committee Work Plan 2016/17														
Item	Lead Officer	2016							2017					
		J	J	A	S	O	N	D	J	F	M	A	M	J
NEW Devon CCG Audit Committee	David Northey							8			16			
Treasury Management Practices, Principles and Schedules 2016/17	Chris Flower										16			
Treasury Management Strategy	Chris Flower										16			
Internal Audit Charter and Strategy 2016/17	Robert Hutchins / Dominic Measures										16			
Information Governance Annual Report	John Finch	30												
Surveillance, Covert Activities and the Regulation of Investigatory Powers Act 2000 (RIPA)	John Finch	30												
Treasury Management – Impact of Leaving the EU	Chris Flower				15			8			16			

- ❖ The Audit Committee agree that approval of the Treasury Management Strategy and Annual Investment Strategy 2016/17 is delegated to the Head of Corporate Strategy in consultation with the Chair and Vice Chair of the Audit Committee to agree a final version.
- ❖ The Audit Committee noted that the Treasury Management Strategy and Annual Investment Strategy 2016/17 will be submitted to Cabinet and Full Council for authorisation in February 2016.