

**Democratic Support**

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Published 6 September 2017

**AUDIT COMMITTEE**

Thursday 14 September 2017  
2.00 pm  
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 R Clark  
Mr I Stewart

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

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

**Tracey Lee**

Chief Executive

## **Audit Committee**

### **Agenda**

#### **Part I – Public Meeting**

**1. Apologies**

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

**2. Declarations of Interest**

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

**3. Minutes (Pages 1 - 6)**

To confirm the minutes of the meeting held on 29 June 2017.

**4. Chair's Urgent Business**

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

**5. Appointment of the Independent Member**

The Committee to confirm the appointment of its Independent Member.

**6. Appointment of External Auditor 2018/19 (Pages 7 - 10)**

The Committee to appoint the External Auditor 2018/19.

**7. Statement of Accounts 2016/17 (Pages 11 - 156)**

The Committee will receive the Statement of Accounts 2016/17.

**8. Strategic Risk and Opportunity Register Monitoring Report (Pages 157 - 166)**

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

**9. Integrated Commissioning Risk Register (Pages 167 - 174)**

The Committee will receive the Integrated Commissioning Risk Register.

**10. Internal Audit - Progress Report (Pages 175 - 186)**

The Committee will receive the Internal Audit Progress Report.

**11. Internal Audit Follow Up Report 2016/17 (Pages 187 - 202)**

The Committee will receive the Internal Audit Follow up Report 2016/17.

**12. Annual Report to Those Charged with Governance (ISA260 Report) 2016/2017 including Value for Money (Pages 203 - 232)**

The Committee will receive the Annual Report to Those Charged with Governance (ISA260 Report) 2016/2017 including Value for Money.

**13. Health, Safety and Wellbeing (HSW) Annual Report 2016/17 (Pages 233 - 270)**

The Committee will receive the Health, Safety and Wellbeing (HSW) Annual Report 2016/17.

**14. Review of Work Plan 2017 - 18 (Pages 271 - 276)**

The Committee will review its Work Plan 2017/18.

**15. Exempt Business**

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

**Part II – Private Meeting**

**Agenda**

**Members of the Public to Note**

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

**16. Information Governance - Annual Report (E3) (Pages 277 - 284)**

The Committee will receive the Information Governance – Annual Report.

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## Audit Committee

Thursday 29 June 2017

### PRESENT:

Councillor Sam Leaves, in the Chair.  
Councillor Parker-Delaz-Ajete, Vice Chair.  
Councillor Dr Mahony.

Independent Members: Mr Clark and Mr Stewart

Apologies for absence: Councillors Sam Davey and Mrs Pengelly.

Also in attendance: Carole Burgoyne (Strategic Director for People), Brenda Davis (Audit Manager, Finance), Chris Flower (Finance Business Partner – Accountant for Capital and Treasury Management), Alex Fry (Trading Standards Manager), Andrew Hardingham (Interim Strategic Director Transformation and Change, Finance), Carolyn Haynes (Financial Controller), Matthew Hepenstal (BDO), Mike Hocking (Head of Assurance), Julie Hosking (Corporate Risk Advisor, Finance), Robert Hutchins (Head of Devon Audit Partnership), Ken Johnson (Corporate Fraud Team Manager, Finance), Paul Looby (Head of Financial Planning and Reporting, Finance), Greg Rubins (BDO) and Lynn Young (Democratic Support Officer).

The meeting started at 2.00 pm and finished at 3.44 pm.

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

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

The Committee noted the appointment of Councillor Sam Leaves as Chair and Councillor Parker Delaz-Ajete as Vice Chair of the Audit Committee for the municipal year 2017-2018.

#### 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 16 March 2017 are confirmed as a correct record. Following observations from members, it was agreed that any future amendments to minutes would contain more detail to ensure clarity.

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

The Chair advised members that following the electoral administration problems in the lead-up to the General Election on 8 June 2017, the Council had announced that an independent investigation

would be held, and the findings and recommendations from this investigation would be presented to Full Council within the next few months.

### 5. **Director of Children's Services Assurance Test**

Carole Burgoyne (Strategic Director for People) presented the Director of Children's Services Assurance Test report, and highlighted to Members that the recommendations contained in the last report in 2015 had been firmly embedded.

Members noted the DCS Assurance Test has again been reviewed and revised using a risk assessment framework.

### 6. **Statement of Accounts 2016/17 and Annual Governance Statement**

Carolyn Haynes (Financial Controller) presented the Statement of Accounts 2016/17 and Annual Governance Statement. Members were advised that the draft accounts were due to be published on the Plymouth City Council website on 30 June 2017.

The accounts had been produced by a new Finance team this year, working closely with BDO.

Members noted the report and the 'authorised for issue' date (1 June 2017) for the draft Statement of Accounts.

### 7. **Operational Risk and Opportunity Management Update Report**

Mike Hocking (Head of Assurance) presented the Operational Risk and Opportunity Management Update Report, highlighting to Members that a new red risk (in the Finance (Procurement) department) had resulted in a number of projects being delayed.

Andrew Hardingham (Interim Strategic Director Transformation and Change, Finance) advised Members that the Procurement Team had suffered a high turnover of staff as a result of other organisations in the city recruiting staff, along with the failure to recruit appropriately qualified and experienced new staff. As a result of this he would be reviewing the structure in the Procurement Team and investigating ways to encourage staff to remain within the Council. He had approached a number of other Councils to investigate collaborative working.

The main areas of questioning from Members related to –

- At what point staffing levels within the Procurement Team would become critical
- The reasons staff leave the Procurement Team
- The possibility of an apprenticeship scheme within the department

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

*(The meeting adjourned at 2.29 pm and reconvened at 2.34 pm whilst Councillor Dr Mahony left the room)*

8. **Risk and Opportunity Management Annual Report 2016/17**

Julie Hosking (Corporate Risk Advisor, Finance) presented the Risk and Opportunity Management Annual Report 2016/17.

Mike Hocking (Head of Assurance Services) advised Members that the Integrated Health and Wellbeing Team had been awarded a 2017 Public Finance Innovation Award which would be presented to members of that team at the City Council meeting on 3 July 2017.

Members noted the Annual Report.

9. **Annual Governance Statement**

Mike Hocking (Head of Assurance Services) presented the Annual Governance Statement.

The main areas of questioning from Members related to –

- Who the Chief Auditor was (as referred to in the report)
- Changes resulting from the Welfare Reform

Members agreed to –

- (1) note the processes adopted for the production of the 2016/17 Annual Governance Statement;
- (2) endorse the adequacy and effectiveness of the system of internal audit;
- (3) approve the Annual Governance Statement prior to signature by the Leader, Chief Executive and Assistant Director for Finance (S.151 Officer).

*(The meeting adjourned at 2.44 pm and reconvened at 2.47 pm whilst Councillor Dr Mahony left the room)*

10. **Annual Report on Treasury Management Activities 2016/17**

Chris Flower (Finance Business Partner – Accountant for Capital and Treasury Management) presented the Annual Report on Treasury Management Activities 2016/17.

The main areas of questioning from Members related to –

- Minimum revenue provision
- Policy for buying property
- Unsupported borrowing
- Iceland Bank
- Treasury Management training for Cabinet members

Members agreed to –

- (1) note the Treasury Management Annual Report 2016/17;

(2) refer the Treasury Management Annual Report 2016/17 to Full Council for approval.

*(This is to comply with the CIPFA Code of Practice and discharge our statutory requirement)*

11. **Corporate Fraud Annual Report**

Mike Hocking (Head of Assurance Services) presented the Corporate Fraud Annual Report.

The main areas of questioning from Members related to –

- Recovery of overpayments
- Fraud training

Members agreed to note the Annual Report.

12. **Surveillance, Covert Activities and Regulation of Investigatory Powers Act 2000 (RIPA) Report**

Alex Fry (Trading Standards Manager) presented the surveillance, Cover Activities and the Regulation of Investigatory Powers Act 2000 (RIPA) Report. It was highlighted that the report was short as there had been no changes to legislation, and no inspections since the last report that had been submitted in June 2016. The recommendations from the 2015 report had been implemented, and since the last report there had been a number of changes in Authorising Officers and the Senior Responsible Officer, and the Authorising Managers List had been amended to reflect this.

Members acknowledged that covert activities can be a necessary and proportionate response for achieving the Council's objectives through approval of the Surveillance and Covert Activities Policy; which allows 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.

13. **Internal Audit Annual Report 2016/17**

Robert Hutchins (Head of Devon Audit Partnership) presented the Internal Audit Annual Report 2016-17.

The area of questioning from Members related to –

- Schools DBS dip test

Members agreed to –

- (1) note that overall and based on work performed during 2016/17, and that of our experience from previous year's audit, the Head of Internal Audit's opinion is of "Significant Assurance" on the adequacy and effectiveness of the Authority's internal framework;
- (2) note the performance and achievements of the Internal Audit Team during 2016/17.



14. **External Audit Progress Report**

Matthew Hepenstal (BDO) presented the External Audit Progress Report which highlights and explains to the Audit Committee the key issues which they believe are relevant to the audit of the financial statements and the Council's use of resources for the year ending 31 March 2017.

Members noted the progress of the External Auditor's work.

15. **Review of Work Plan 2017/18**

Members noted the rolling work programme for 2017-18, and it was agreed that the 14 September meeting would provide an update on those items that showed as 'Improvements Required' on the Internal Audit Annual Report.

The Chair and Vice Chair agreed to check if the September meeting clashes with any other Committee meetings.

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**PLYMOUTH CITY COUNCIL**

**Subject:** Appointment of External Auditor 2018/19  
**Committee:** Audit Committee  
**Date:** 14 September 2017  
**Cabinet Member:** Councillor Darcy  
**CMT Member:** Andrew Hardingham – Interim Joint Strategic  
Director for Transformation and Change  
**Author:** Paul Looby – Head of Financial Planning and  
Reporting  
**Contact details** Tel: 01752 307271  
email: [paul.looby@plymouth.gov.uk](mailto:paul.looby@plymouth.gov.uk)  
**Key Decision:** No  
**Part:** I

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**I. Purpose of the report:**

- I.1 The purpose of this report is for Audit Committee to formally appoint Grant Thornton as Plymouth City Council's external auditors from 2018/19.

**The Corporate Plan 2016/17 – 2018/19:**

The appointment of External Auditors is a statutory requirement.

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**Implications for Medium Term Financial Strategy and Resource Implications:**

The appointed auditors are required to give an opinion on the council's "Use of Resources". In doing so they refer to the MTFS and comment on the arrangements in place to deliver the budget.

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

N/A.

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## Equality and Diversity

There are no direct implications as a result of this decision.

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## Recommendations and Reasons for recommended action:

- I. The Committee approves the appointment of Grant Thornton UK (LLP) as Plymouth City Councils' External Auditors from 2018/19.
- 

## Alternative options considered and rejected:

The Committee could object to the proposed appointment and make representations to the PSAA.

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## Published work / information:

## Background papers: N/A

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

## Sign off:

Fin	djn1718.85	Leg	lt/28823 /2408	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham, AD for Finance													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## 2. Background

- 2.1 In July 2016 Public Sector Audit Appointments Ltd (PSAA) was selected by the Secretary of State for Communities and Local Government to take on the role of Appointing Person for external auditors for local government and police bodies. PSAA is a limited company owned by the Local Government Association (LGA).
- 2.2 The City Council joined the national framework for external auditor appointments led by PSAA. In being part of the national framework the City Council was not required to undertake its own procurement process for an external auditor appointment. The tendering exercise and evaluation exercise

was undertaken by PSSA on behalf of all public bodies that joined the national framework. As a result of this exercise the following external auditors were selected:

- Grant Thornton UK LLP;
- Ernst & Young LLP;
- Mazars LLP;
- BDO LLP;
- Deloitte LLP.

- 2.3 Before the appointment of an external auditor to an individual authority, PSAA is required to consult on the proposed appointment. PSSA informed the City Council on 15 August 2017 that they propose to appoint Grant Thornton UK LLP as the Council's external auditor from 2018/19. Grant Thornton UK LLP is one of the largest accountancy firms in the UK and comprises around 4,500 employees and has considerable experience working within the Public Sector as an external auditor.
- 2.4. In making their proposed appointment PSAA has applied the following principles:
- ensuring auditor independence, as required by the Regulations;
  - accommodating joint/shared working arrangements where these are relevant to the auditor's responsibilities;
  - ensuring a balanced mix of authority types for each firm;
  - taking account of each firm's principal locations; and
  - providing continuity of audit firm if possible, but avoiding long appointments.
- 2.5 The City Council has an opportunity to make any representations to PSAA on the appointment by 22 September 2017. The Section 151 Officer is satisfied with the appointment and if the Audit Committee endorses the appointment, the Section 151 Officer will write to the PSAA confirming its acceptance.
- 2.6 The PSAA Board will notify all local authorities on 18 December 2017 of their appointed external auditor following the consultation.
- 2.7 PSAA will consult on the scale fees for 2018/19 in due course and will publish confirmed scale fees for 2018/19 in March 2018. PSAA have advised that due to the successful procurement of auditor services, authorities throughout England will collectively benefit from reduced fees for audit services in 2018/19 compared to 2016/17. Aggregate savings are expected to exceed £6 million per annum, equivalent to a reduction of approximately 18% in the scale fees payable by local bodies

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**PLYMOUTH CITY COUNCIL**

**Subject:** Statement of Accounts 2016/17  
**Committee:** Audit Committee  
**Date:** 14 September 2017  
**Cabinet Member:** Councillor Ian Darcy  
**CMT Member:** Andrew Hardingham, Interim Joint Strategic Director for Transformation and Change  
**Author:** Carolyn Haynes (Financial Controller)  
**Contact details** Tel: 01752 398927  
email: [carolyn.haynes@plymouth.gov.uk](mailto:carolyn.haynes@plymouth.gov.uk)  
**Ref:** FIN/CH  
**Key Decision:** No  
**Part:** I

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**Purpose of the report:**

The Council's draft Statutory Statement of Accounts for year ending 31 March 2017 was prepared and approved ready for our external auditors by the Interim Joint Strategic Director for Transformation and Change on 29 June 2017.

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 2017.

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 2016/17 is attached at Appendix A. This might be subject to minor changes to wording and the changes will be highlighted at the committee meeting.

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**The Corporate Plan 2016/17 – 2018/19:**

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 2016/17 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 2016/17 as agreed with the Auditor, and outlined in this report.
2. Approve The Statement of Accounts for 2016/17 as attached at Appendix A.
3. The Letter of Representation attached at Appendix B is authorised and submitted to the Auditor.

## Alternative options considered and rejected:

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

## Published work / information:

[Statement of Accounts 2016/17 Report to June 2017 Audit Committee](#)  
[Draft \(Pre Audit\) Statement of Accounts 2016/17](#)  
[Annual Governance Statement 2016/17](#)  
[2016/17 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	pl171 8.92	Leg	lt/2888 7/0509	Mon Off	lt/288 87/05 09	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 2016/17

### 1. Introduction

- 1.1 The draft Statement of Accounts 2016/17 was approved by the Interim Joint Strategic Director for Transformation and Change on 29 June 2017. The formal audit commenced on 12 June 2017. 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 2017. For Plymouth, this responsibility has been delegated to the Audit Committee.
- 1.2 The Statement of Accounts for 2016/17 is attached at Appendix A.
- 1.3 The Annual Governance Statement for 2016/17 was considered and formally approved by Members at the 29 June Audit Committee.
- 1.4 The Council is also required to identify and report on any post balance sheet events that have occurred since 31 March 2017. The Statement of Accounts should therefore include all relevant post balance sheet events up to and including the 14 September 2017.
- 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 Interim Joint Strategic Director for Transformation and Change 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 2016/17. 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 2016/17 (The Code).
- 1.7 This is the second 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 2016/17 Codes of Practice

The main Code of Practice relevant to the production of the Statement of Accounts which CIPFA publish on an annual basis is the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

- 2.1 The Code is based on approved standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Committee (IFRIC) except where these are inconsistent with specific statutory requirements.
- 2.2 CIPFA and CIPFA/LASAAC consulted widely on the 2016/17 code in preparation for the changes, particularly the Telling the Story consultation in the summer of 2015. CIPFA also engaged a working group to consider a wide range of proposals for change. Following feedback from consultations from local authority accounts preparers and the work of the Working Group, the Telling the Story consultation set out proposals for change that CIPFA/LASAAC considers will reconnect the financial statements of local authorities with the way those authorities are both organised and funded.

The changes to the 2016/17 Code therefore have two main strands:

- to allow local authorities to report on the same basis as they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement.
- to introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement and replaces the current segmental reporting note.

The changes to the Code will for the first time allow local authorities to bring together the funding framework and the accounting framework in one analysis.

### **3. Issues arising since publication of the 2016/17 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 2016/17 and Balance Sheet position as at 31 March 2017, the Council is required to report material events occurring after 31 March 2017.

3.2.2 There are no additional significant events which has occurred since the draft Accounts were published in June which is required reporting within PBSE Note 5 (page 42).

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

3.3.1 The auditor's report identified no material misstatements and BDO were pleased to note a significant improvement in the quality of the draft accounts and the supporting working papers. 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 C.

3.3.2 Their audit identified a few presentational changes to the financial statements. In particular, the Council was required to provide additional disclosure in respect of the valuation of the Tamar Bridge. The Bridge has been valued on a depreciated replacement cost (DRC) basis. This is a departure from the 2016/17 Code of Practice which stipulates that historic cost is to be used as the basis for valuing highways infrastructure assets. It has not been possible to identify an accurate historic cost for the Bridge and on this basis Cornwall and Plymouth City Council have made the decision to depart from the CIPFA Code and have applied their judgement that DRC is the most appropriate basis for valuing this asset. The disclosure note has been amended to explain the departure from the code.

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 2017/18 Statement of Accounts

- 4.1 This was our second year working with BDO and the external audit process has continued to improve. The draft Statement of Accounts was produced three weeks prior to the statutory deadline of the 30<sup>th</sup> June 2017 and the auditors have commented on the significant improvement in the quality of supporting working papers.
- 4.2 There are some challenging changes to the Code of Practice in 2017/18 and we will work with the auditors to incorporate these changes into the Statement of Accounts for 2017/18.
- 4.3 The 2017/18 edition of the Code introduces new, or amended, accounting standards or reporting requirements in a number of areas including:
- A new principles-based approach to narrative reporting.
  - A review of the Code's provisions on going concern reporting.
  - A review of accounting policies provisions in the Code.
  - New disclosure on transaction costs for pension fund investments.
  - Narrow scope amendments to International Financial Reporting Standards.
  - Legislative Changes.
- 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 2017/18 or future years' accounts. Current developments include consultation documents and / or new publications on the following topics:-
- IFRS9 Financial Instruments: Recognition and Measurement.
  - IFRS15 Revenue from Contracts with Customers.
- 4.5 A detailed closedown plan has been prepared and continuously worked on since last September. We will also ensure that any improvements identified as part of this year's closedown process will be incorporated into the closedown plan for 2017/18.
- 4.6 We will work closely with BDO during 2017/18 to identify what testing can be brought forward to the interim audit in January. This is of particular importance due to the statutory changes to the deadlines for the Statement of Accounts for 2017/18. The timetable for the preparation and approval of the 2017/18 accounts will be brought forward to a draft accounts deadline of the 31 May and an external audit deadline of the 31 July. This Committee will meet to formally approve the Accounts in July 2018. These changes provide challenges for the Council and BDO, the impact of the changes to the deadlines and their impact is shown below:

	Current Deadline	2017/18 Deadline	Reduction in Time
Preparation of draft financial statements	30 June	31 May	30 days
Approval and publication of financial statements with audit opinion	30 September	31 July	62 days
Available audit time	92 days	61 days	31 days

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## 2016/17 STATEMENT OF ACCOUNTS



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## **Narrative Report for the Statement of Accounts 2016/17 from the Interim Joint Strategic Director Transformation and Change and Section 151 Officer.**



### **Introduction**

I am very pleased to welcome you to the Council's Statement of Accounts and my Narrative Report. The purpose of this report is to supplement the main accounting statements and provide readers with an easily understandable guide to the most significant matters reported in the accounts.

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.



### **Corporate Plan**

The Statement of Accounts should be read in conjunction with the Council's Corporate Plan which is focused on our vision to be 'one team serving our city'. That means everyone working together towards a shared ambition to be a pioneering, growing, caring and confident city as well as a green and pleasant city, with an improved street scene environment.



# OUR PLAN ONE CITY COUNCIL



## CITY VISION Britain's Ocean City

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

## OUR VALUES

### WE ARE DEMOCRATIC

Plymouth is a place where people can have a say about what is important to them and where they can change what happens in their area.

### WE ARE RESPONSIBLE

We take responsibility for our actions, care about their impact on others and expect others will do the same.

### WE ARE FAIR

We will be honest and open in how we act, treat everyone with respect, champion fairness and create opportunities.

### WE ARE PARTNERS

We will provide strong community leadership and work together to deliver our common ambition.

## OUR VISION One team serving our city

### PIONEERING PLYMOUTH

We will be innovative by design, and deliver services that are more accountable, flexible and efficient.

### GROWING PLYMOUTH

We will make our city a great place to live by creating opportunities for better learning and greater investment, with more jobs and homes.

### CARING PLYMOUTH

We will work with our residents to have happy, healthy and connected communities where people lead safe and fulfilled lives.

### CONFIDENT PLYMOUTH

We will work towards creating a more confident city, being proud of what we can offer and growing our reputation nationally and internationally.

## OUR THEMES

- Quality services focused on customers' needs
- Balancing the books
- New ways of working
- Best use of Council assets
- Working constructively with everyone

- Quality jobs and valuable skills
- Broad range of homes
- Increased levels of investment
- Meeting future infrastructure needs
- Green and pleasant city

- Focus on prevention and early intervention
- Keeping children and adults protected
- Inclusive communities
- Respecting people's wishes
- Reduce health inequalities

- Council decisions driven by citizen need
- Plymouth as a destination
- Improved street scene environment
- Motivated, skilled and engaged workforce
- Setting the direction for the South West

**Plymouth**  
Britain's Ocean City

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

## An Introduction to Plymouth

Plymouth City Council is a unitary local authority responsible for over 300 local services including transport, social care and education. With a resident population of approximately 262,700 and a further 100,000 residents in the travel to work area, Plymouth is one of the largest cities on the South coast. Plymouth is also the most significant urban area on the south west peninsular with an economic output of £5.2 Billion, supporting 107,800 jobs and is the key urban hub of the Heart of the South West Enterprise Partnership making it a key location for growth. The city has the highest concentration of manufacturing and engineering employment in the whole of the South of England. 20% of the UK's blue-tech marine companies are based here.

Plymouth is 'Britain's Ocean City' and its connections to the sea go back to the sailing of the Mayflower in 1620 and now includes Western Europe's largest naval base, a thriving commercial and ferry port, a significant fishing industry, and one of the most significant global concentrations of marine research and production.

## Future vision

The Council's vision for Plymouth is to become one of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone. Through the visionary Plymouth Plan, which sets out far reaching growth plans to 2034, a shared direction of travel for the long term future of the city is promoted, bringing together, for the first time in Plymouth (and perhaps in the UK), a number of strategic planning processes into one place. Since its introduction, the Plymouth Plan has been at the heart of policy and plan-making in the city. It sets the direction for the city's economy; it plans for the city's transport and housing needs; it looks at how the city can improve the lives of children and young people and addresses the issues which lead to child poverty and it sets out the aspiration to be a healthy and prosperous city with a rich arts and cultural environment.

The City plans to increase its resident population to 300,000 by 2034, build an additional 22,700 homes and create 18,600 jobs, and is working closely with local strategic partners West Devon and South Ham Councils to create a Joint Local Plan (JLP) to support local thriving towns and villages. Taken together, this paints a picture of a major city with an ambitious plan of growth, opportunity and regeneration sitting inside an extensive rural area.

## Challenges

Whilst the city has the potential to drive increased productivity and make a greater contribution to UK plc, this does not come without its challenges. Connectivity is the key challenge for the city, in terms of rail and road infrastructure. Improving skills, particularly in STEM (Science, Technology, Engineering and Mathematics) subjects, to grow, keep and attract a skilled workforce now and in the future is also a critical challenge.

It is recognised that in the current environment of reduced government funding this will put additional pressure on key Council services like refuse collection, street cleaning, schooling and social care, both children's and adults', and to be successful we will all need to think and work differently.

## Transforming service delivery

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.

### Progress during 2016/17

In very difficult financial circumstances, we continue to retain and improve our core services. For example during 2016/17 we:

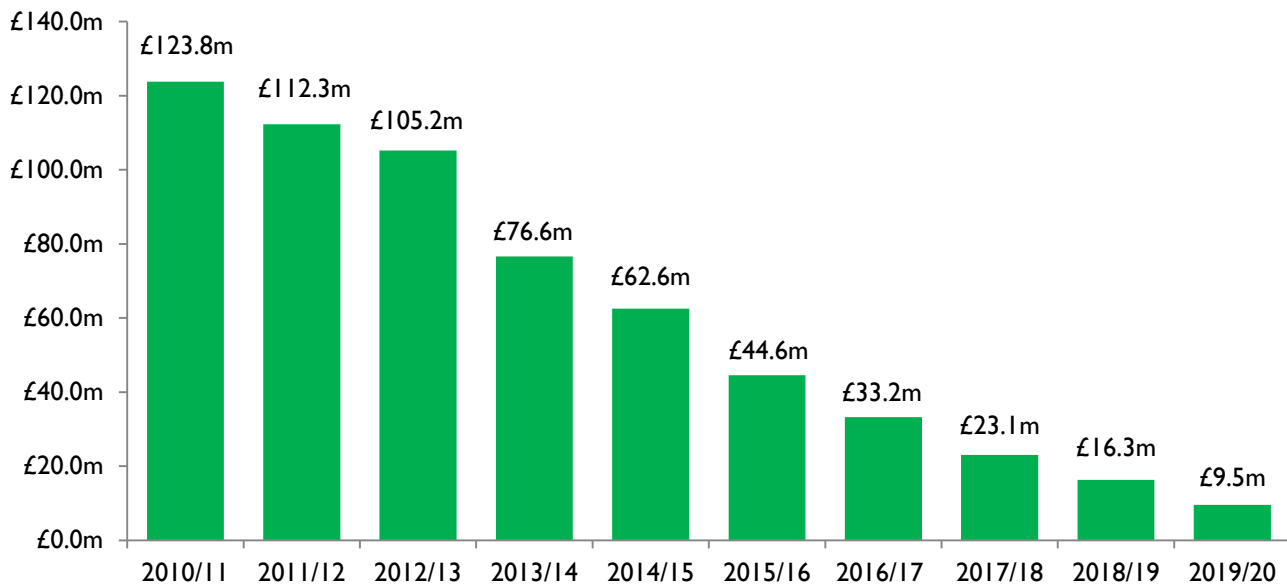
- Delivered over 1000 new homes.
- Dealt with more than 3 million queries in our contact centre.
- Supported 4,700 adults in long term care and provided 610,000 hours of care to help people live in their own homes through integrating the City's Health and Social care function, pooling a £483m budget.
- Continued to keep children safe by supporting more than 5,500 children in need and undertaking 94.7% of assessments on time.
- Supported 1,750 victims of Domestic Abuse.
- Helped (parents) to ensure that 93% of two year olds took up their free nursery places.
- Provided more than 10,000 health checks on babies and toddlers.
- Prevented 299 families from becoming homeless.
- Reported that 84% of city children go to a Good or Outstanding city school.
- Reported that 87% of A Level students achieved two good passes.
- Invested £13 million in 2016/17 for road infrastructure.
- Collected and emptied 10.6 million bins in 2016/17.
- Ensured that over 90% of planning applications (minor) were determined in time.
- Invested in a new bus station.
- Implemented the new living wage in April 2017.

### Financial Performance

Since 2010, the Government introduced its austerity programme and for local government this has meant a continual reduction in grants, which 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.
- The Adult Social Care council tax precept.

### Reduction in Revenue Support Grant (£) Since 2010/11



The graph above illustrates the ongoing reduction to revenue support grant (RSG) since 2010/11 with a drop of £11.4m in revenue support grant in 2016/17 and a forecast RSG of £9.5m in 2019/20.

Despite the reduction and the impact this has upon the availability of resources, 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 continue to work 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 services, 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 and has received national recognition from the Public Finance Innovation Awards in 2017. Together with the Northern, Eastern and Western Devon Clinical Commissioning Group we were the winners in the Achievement in Health and Social Care Innovation award.

### OUTTURN POSITION 2016/17

The overall outturn position is a balanced budget against our net budget of £186.702m. This is testament to the strong financial management and discipline across all areas of the Council. This puts the Council in a strong position going into an even more financially challenging 2017/18.

Given the size of the financial challenge faced for 2016/17, with a total savings target of £23.871m, balancing the budget is a major achievement for the Council.

The Council's budget outturn position and can be accessed from the following web address:

<http://web.plymouth.gov.uk/modgov?modgovlink=http%3A%2F%2Fdemocracy.plymouth.gov.uk%2FieListDocuments.aspx%3FCId%3D254%26amp%3BmId%3D7480%26amp%3BVer%3D4>.

The Council operated in 2016/17 with a net budget requirement of £186.702m. The table overleaf summarises by Directorate the budget outturn position as compared against the net budget requirement:

Directorate	Note Ref. No.	Budget 2016/17	Budget Outturn	Year End Overspend / (underspend)
		£000	£000	£000
People	<u>1</u>	122,751	122,910	159
Place	<u>2</u>	24,388	24,451	63
Office of Director of Public Health	<u>3</u>	362	362	0
Transformation & Change	<u>4</u>	35,502	35,408	(94)
Chief Executive's Office	<u>5</u>	3,935	3,914	(21)
Corporate Items	<u>6</u>	(236)	929	1,165
<b>Total</b>		<b>186,702</b>	<b>187,974</b>	<b>1,272</b>
Funded by:				
Council Tax		94,082		
Business Rates Retained		59,409		
Central Government Grant Settlement		33,211		
<b>Total</b>		<b>186,702</b>		

### Budget Outturn Variance Analysis

- I. The People Directorate** declared a net overspend of £0.159m. This was despite forecasting an overspend of £0.973m as at the end of December 2016 and was a considerable achievement given the complexity of the demand-led budgets and the requirement to find £9.144m of savings in the year.

This is the second year of our Integrated Fund with the Plymouth locality of the N.E.W. Devon CCG and represents a major step in working closer with our health partners to improve outcomes for the people of Plymouth.

Our integrated budget for 2016/17 was £495.392m and we have closed the books with the risk share for 2016/17 being a transfer to PCC of £0.088m. This reflects a combined over spend of £1.044m or 0.21% against the integrated budget.

The detail of this final outturn position for People includes:

- Children Young People and Families (CYP&F) Service is reporting a budget outturn overspend position of £0.208m. There have been a number of factors that have contributed to this final position.
- The number of children placed with independent fostering agencies stands at 100 against a target budget of 70 placements. Residential placements stand at 28 against a target of 20 budgeted placements with a number of these placements being high cost due to the complex nature of these children's needs.
- The 2017/18 budget allocation acknowledges the continued increase in numbers of children in care and is in line with national and regional trends.
- Additional costs have been offset wherever possible. As part of the transformation project for 2016/17, CYP&F was tasked to make savings of over £2.100m (in order to contribute to the £9.214m Directorate target). £1.000m has been saved through enhanced voluntary release scheme (EVRS) and the Transformation of Services together with a further £0.800m through review and commissioning of placements. In addition, there have been further one-off savings due to vacancy savings and management interventions such as a review of high cost care packages, plus challenge and review sessions with budget holders and a finance review.

Adult Social Care ended the year with a favourable variance against budget of £0.007m with a total expenditure of £75.798m against the budget of £75.805m.

- Management action 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.
- The service also delivered £5.400m of savings as part of the transformation project.

Education Participation and Skills reported a favourable position of £0.009m at the end of the financial year, mainly due to a reduction in Special Education Needs and Disability (SEND) care packages.

The newly formed Community Connections has a final outturn position of £3.060m against the budget of £3.154m, a saving of £0.033m, with lower than forecast Bed & Breakfast accommodation costs and reduced agency worker spend as a result of the implementation of a new structure.

**2. The Place Directorate** declared a net overspend of £0.063m. The main variances were due to:

- Economic Development ended the year with a £0.412m underspend against a net budget of £0.869m. The favourable variation is as a result of a continued drive to increase income from land and property assets, overachieving on commercial income targets and the capitalisation of costs and savings across the economic development service.
- Strategic Planning and Infrastructure (SP&I) ended the year with a £0.754m underspend against a net budget of £9.945m. This significant underspend has been achieved through a number of actions and one off savings including re-financing of significant areas of public transport spend, the use of grants to mitigate service costs and ongoing savings arising from vacancy management, increased income from commercialisation of viability services and capitalisation of staffing costs on transport projects.
- Street Services had been forecasting a significant overspend throughout the year but have managed to improve their position to a £1.229m overspend which is 6.83% of their net budget of £18.000m.
- The final outturn position for Waste was £0.783m overspend. The overspend was due to a number of issues which included, for example, staffing pressures, tonnage increases and a loss of income at the Refuse Transfer Station. Negotiations are taking place to find a resolution for next year.
- Street Cleansing and Grounds did achieve a balanced position for the year-end through meeting a series of savings targets which included a restructure of the service.
- The Fleet and Garage service have made considerable savings over a number of years. There have been savings of over £1.600m made and a reduction in fleet capacity of 25 has been delivered. The ambitious in-year targets associated with further reduction of fleet numbers and increased commercialisation income targets were not fully met in year. However, plans are being put in place to deliver against them for next year. The main element of the unachieved savings/income (£0.611m) relate to non-achievement of commercialisation targets (£0.445m) and further fleet reduction (£0.092m).
- Highways and Car Parking final outturn position resulted in an underspend of £0.164m. The underspend was due to a number of reasons, including an increase in capitalisation, salary savings and an increase in commuted maintenance income.
- The GAME growth dividend programme delivered its targeted level of income of £4.932m through the New Homes Bonus initiative.

**3. The Office of Director of Public Health** came in as a balanced budget within the ring fenced grant.



- The Directorate achieved its savings targets for 2016/17 of £1.493m and made further in-year savings of £1.014m totalling £2.500m.
- Savings were achieved through a mix of contract renegotiations for commissioned public health services; a directorate restructure which created multi-disciplinary teams and an integrated management structure, vacancy savings and increased activity in chargeable services and enforcement.
- As part of this balanced budget, ODPH made contributions of £0.625m towards schemes in other Council departments, and prepared contingency plans to achieve the anticipated further reduction to the ring fenced grant in 2017/18.

**4. The Transformation and Change Directorate** reported an underspend of £0.094m, this is predominately due to:

- Human Resources (HR) & Organisational Development (OD) and Transformation's service reviews both achieved their efficiency targets in full. This has been partly offset by pressures that have arisen elsewhere within the Directorate. The biggest pressure is within Finance following a review of Facilities Management staffing costs, an increase in postage costs and the reallocation of corporate savings to the directorate.
- DELT was set the challenge of delivering efficiencies of £0.400m which was built into the base budget and achieved in full during the year. DELT delivered over 100 projects during the year with a total value of £2.600m and increased availability hours with no additional cost to the Council. There was a small overspend on the ICT budget due to additional licensing costs incurred as a consequence of not being able to decommission some software as early as planned. Firmstep (our digital platform) was fully commissioned.
- Legal Services generated a small underspend following efforts to generate additional income.
- As identified in the first half of the year, there were pressures identified with Housing Benefit subsidy and recovery of overpayments. Actions were taken during the year to address this, which resulted in improved recovery assisted by the improved processing of Housing Benefit claims. New claims as at April 2017 are being processed within 18 days, which is below the national average and change of circumstances are being processed within 10 days. However, there remain challenges in ensuring all housing benefit overpayments are recovered and that the provision for bad debt can be minimised in future years.

**5. The Executive Office** This service area has recorded a small underspend for the year of £0.021m arising mainly as a consequence of a restructure of the department.

**6. The Corporate Items** line reports an overspend position for the year of £1.165m. The key variations are;

- Significant pressure of approximately £0.500m Pension Deficit, which reflects the reduction in the Council's workforce since the last actuarial valuation in 2013 and the impact this has on our pension contribution to Devon County Pension Fund.
- Other adverse movements on the Corporate Items budget include reduced trading activity on recharges (£0.500m) and a shortfall on corporate efficiency savings. These have partially been offset by a better than budgeted Treasury Management outturn performance.
- As part of the Council's Treasury Management function the Council will borrow and make investments in accordance with its Strategy. Inevitably such activities do expose the Council to financial risks as well as opportunities which impact upon the revenue budget. The Treasury Management budget is held within the Corporate Items Budget and includes the Minimum Revenue Provision (MRP), which is the amount charged to for the repayment of debt arising from capital investment.
- Capital receipts to the value of £0.267m have been applied in 2016/17 to ensure a balanced budget position is achieved.

## Working Balance

Within the Medium Term Financial Plan Members recommended the minimum Working Balance should be at least 5% of the net revenue budget. The Working Balance at the end of 2016/17 was £9.352m and after agreed transfers of £150k, the revised Working Balance for the 2017/18 budget will be £9.200m which is 5% of the 2017/18 net revenue budget.

## Other Financial Performance

In addition to the financial outturn there were a range of other significant performance achievements which have contributed to the year-end position. In-year collection targets are set for our Council Tax, Business Rates, Commercial Rent, and Sundry Debt Income including our Trade Waste Income. The 2016/17 revenue budget was based on the achievement of the required targets.

We continue to increase our collection rates in core income streams and explore alternative ways of making further improvements. For example, we created a new team within existing resources to focus on recovering debt due to the Council with a specific focus on reducing housing benefit over payments.

Some Key Indicators are:

- The Miscellaneous Debt Management Team raised invoices to the total value of £103.000m in 2016/17 compared with £111.000m in 2015/16, collecting 96.9% of this debt within 30 days (96.4% in 2015/16) against a target of 97.5%.
- 96.9% of Council Tax collected against a target of 98.5% (15/16 = 96.8%).
- 99.1% of NNDR collected against a target of 98.5% (15/16 = 98.5%).
- Average borrowing rate of 2.61% was achieved against target of 3.4% (15/16 = 3.5%).
- Average investment return of 1.7% was achieved against target of 1.1% (15/16 = 1.3%).
- 98.6% of all supplier invoices were paid within 30 days against a target of 95%.
- VAT partial exemption at 4.6% (15/16 = 3.9%).
- 56% of the Council's spend was incurred businesses within the "PL" post code against target of 52% (15/16 = 53.2%).

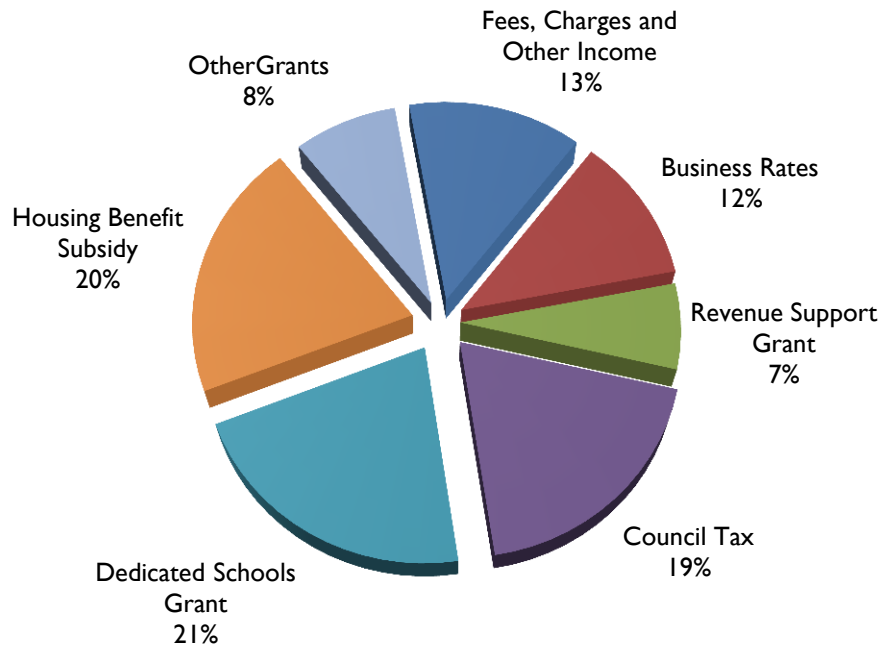
## GENERAL FUND REVENUE ACCOUNT

### 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 2016/17 revenue budget was financed:-



## 2016/17 Revenue Income Sources



The Council set a band D Council Tax for the year of £1,346.99 for the Council's element of Council Tax, at its meeting of 29 February 2016.

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

The Council is spread across several directorates being People, Place, Transformation & Change (incorporating Finance, HR, Legal services etc.) and Chief Executive's Office with council-wide areas covered within Corporate Items and the Office of the Director of Public Health.

The total spend of £187.974m is shown by department within each directorate in the table below:

People Directorate	£000	Place Directorate	£000
Children's Social Care	34,369	Economic Development	457
Co-operative Commissioning & Adult Social Care	75,798	Strategic Planning & Infrastructure	9,191
Education, Learning & Family Support	10,078	Street Services	19,236
Homes & Communities	3,121	Management & Support	(4,433)
Management & Support	(456)		
<b>Total</b>	<b>122,910</b>	<b>Total</b>	<b>24,451</b>
Transformation & Change Directorate	£000	Corporate Items	£000
Finance	16,528	Capital Financing	2,994
Human Resources & Occupational Development	2,728	Other Corporate Items	(2,065)
Legal	2,915	<b>Total</b>	<b>929</b>
Customer Services	2,864	Chief Executive's Office	£000
Management & Support	58	<b>Total</b>	<b>3,914</b>
Transformation Programme	3,609	Office of Director of Public Health	£000
ICT	6,707	<b>Total</b>	<b>362</b>
<b>Total</b>	<b>35,408</b>	<b>Total Council</b>	<b>187,974</b>

**CAPITAL OUTTURN 2016/17**

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 expenditure on capital schemes will extend beyond one year and it is therefore normal for there to be variations in the programme during the year.

The Council has an ambitious capital investment plan, designed to improve the City's infrastructure, economy and housing. The capital programme outturn position for 2016/17 is £90.423m which is 88% of the approved plan. This is shown by Directorate in the table below:

Directorate	Forecast December 2016	2016/17 Outturn	Year End Overspend / (Underspend)
	£000	£000	£000
Place	86,182	75,525	(10,657)
People	12,182	11,570	(612)
Transformation & Change	4,628	3,104	(1,524)
Public Health	224	224	0
<b>Total</b>	<b>103,216</b>	<b>90,423</b>	<b>(12,793)</b>

The 2016/17 programme outturn of £90.423m has enabled investment in some notable schemes, including:

- **£30.800m** Asset Investment acquisitions:
  - £4.400m Bell Park Industrial Estate.
  - £1.700m 34-36 New George Street.
  - £24.700m Friary Retail Park.
- **£7.300m** Strategic Property Acquisitions for regeneration and housing developments:
  - £1.000m Prince Maurice Road.
  - £3.800m Colin Campbell Court.
  - £2.500m Bath Street.
- **£5.800m** of capitalised carriageway resurfacing.
- **£5.500m** to continue with the major infrastructure projects to support growth along the Northern Corridor:
  - £1.400m Derriford Hospital Interchange.
  - £2.200m Derriford Transport Scheme (Derriford Roundabout and Tavistock Road / William Prance Road junction.
  - £1.900m Outland Road junction improvements.
- **£1.700m** for the redevelopment of the City Museum and Library into the new History Centre complex.
- **£3.200m** of works to enable the redevelopment of Oceansgate as a Marine Industries Production Campus.
- **£2.000m** for the major refurbishment of the City Market.
- **£3.500m** for City College, a loan and grant provided to assist with the Science, Technology, Engineering and Maths development of the college.
- **£1.600m** in Basic Need improvements to local schools:

£0.900m Pennycross Primary.

£0.400m Stoke Damerel Primary.

£0.300m Pomphlett Primary.

- **£1.900m** in condition works to local schools
  - £0.800m Mount Tamar Special School.
  - £0.700m Cann Bridge Special School.
  - £0.400m Salisbury Road Primary.
- **£2.000m** Disabled Facilities Grant.
- **£1.100m** for the on-going replacement of street lighting bulbs to provide energy and carbon savings.
- **£0.900m** to demolish the former Quality Hotel site.
- **£3.200m** completion of the new Coach Station at Mayflower West, to enable the redevelopment of the existing Bretonside Bus Station site into a leisure complex.
- **£1.400m** of Green Deal grant awards to Plymouth private households for solid wall insulation.
- **£2.900m** loan to Ernesettle Community Solar Farm.
- **£1.300m** ICT provision, upgrading and creating new capabilities including investment into Customer Transformation ICT.

The year-end position highlights £15.700m of re-profiling of schemes into 2017/18. This is spend which was scheduled to be delivered in 2016/17, but is now forecast to be delivered in 2017/18. Explanations for the most significant project re-profiling are given below:

- **(£2.400m) Derriford Transport Scheme**  
Works commenced in 2015/16 and have continued throughout 2016/17 on the £12.700m Derriford Transport scheme, which are planned for 2015-19. At the time of the latest capital programme approval (Dec 2016) it was anticipated that 2016/2017 spend would be £4.700m. However, due to the discovery of phosphorous grenades on Tavistock Road along with associated road closures and changes to construction methods, delays in land acquisition and some re-design works, there will be slippage of £2.400m into 2017/18.
- **(£1.300m) Oceansgate**  
Construction work to progress separation, enclaving and provision of new infrastructure at South Yard Oceansgate has been slower than anticipated due to ongoing delays associated with transferring the Area 1 West land, interfacing with the MoD and additional survey/investigation works. This has resulted in slippage of £1.300m of anticipated expenditure which will now occur in 2017/18.
- **(£3.000m) Acquisition of a Plymouth Freehold Property Investment**  
At the time of approval (February 2017), it was anticipated that £3.000m would be spent during 2016/2017 on the land purchase. Due to on-going negotiations over the structure and terms of the acquisition, the land purchase will now not take place until 2017/18.
- **(£1.000m) Bath Street and Colin Campbell Court**  
At the time of the latest capital programme approval (Dec 2016) it was anticipated that 2016/17 spend would be £7.400m (Bath Street £3.300m and Colin Campbell Court £4.100m). However due to an error in processing the acquisition payments, completion of the purchase of the Bath Street property did not take place until April 2017. The demolition works in Colin Campbell Court have also been delayed resulting in slippage of £1.000m into 2017/18 across the two projects.

### ▪ (£1.800m) History Centre

At the time of the latest capital programme approval (Dec 2016) it was anticipated that 2016/17 spend would be £3.500m. However, a number of technical issues have been discovered during the development stage. These include the discovery of asbestos, Japanese Knot Weed, water ingress and a collapsed drain in the road which needs to be replaced. Ground condition surveys have also revealed more rock than expected which will impact on the formation of the basement areas. As a result of all these technical issues there have been some redesigns, resulting in the need to re-profile £1.800m worth of spend from 2016/17 into 2017/18.

### Capital Financing 2016/17

The table below shows the final financing of the 2016/17 programme:

Method of financing	Un ring-fenced	Ring –fenced	Total
	£000	£000	£000
Capital receipts	252	964	1,216
Grants (e.g. gov't, HLF, LEP, Environment Agency)	9,217	24,190	33,407
Internal PCC Balance Sheet Funds	30	807	837
Contributions, S106 & CIL (neighbourhood element)	0	4,184	4,184
Direct Revenue Funding from service areas	0	340	340
<b>Borrowing:</b>			
Corporately funded	9,372	0	9,372
Service revenue budget funded	0	40,699	40,699*
External Borrowing	0	368	368
<b>Total Capital Financing</b>	<b>18,871</b>	<b>71,552</b>	<b>90,423</b>

\* Service borrowing is paid for by the Revenue Budget and is provided from savings made from capital investments or from additional income such as the Asset Investment Fund investments (£30.800m).

## TREASURY MANAGEMENT

The Council's Treasury Management Strategy is approved by a meeting of the 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.

### National Context

Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45<sup>th</sup> President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29 March 2017.

### Local Context

On 31 March 2017, the Council had net borrowing of £160m arising from its revenue and capital income and expenditure, an increase on 2016 of £60m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

## **Borrowing**

At 31 March 2017, the Council held £289m of loans, (an increase of £44m on 31/03/2016) as part of its strategy for funding previous years' capital programmes. The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

## **LOBOs**

The Council holds £82m (£100m in 2016) of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates. The Council then has the option to either accept the new rate or to repay the loan at no additional cost. During the year £26m of our LOBOs had options, none of which were exercised by the lender. During 2016 Barclays Bank informed the Council that it had revoked its rights to exercise their options in future and £18m of LOBOs have therefore been reclassified as fixed rate long term loans.

## **Minimum Revenue Provision (MRP)**

Local authorities are required to charge to their revenue account, for each financial year, MRP for the cost of their unfinanced capital expenditure.

The Council's previous method of calculating MRP was to spread the cost of borrowing in a straight line over a maximum of 25 years. The current council tax payers would therefore pay a relatively higher charge than council tax payers in the future. For example if an asset costs £20m to build and has a life of 20 years then there would have been £1m charged each year on the straight line basis. The annuity method takes into account the time of the valuation, because £1m today has a higher value (NPV) than £1m in 20 years' time.

To assist the Council in keeping a balanced budget for 2016/17 the Council used £0.267m of capital receipts towards the MRP charge for 2016/17.

## **Investment Activity**

The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2016/17, the Council's investment and cash balances ranged between £70 and £100 million due to timing differences between income and expenditure. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

The Bank of England's Base Rate, which had been maintained at 0.5% since March 2009, fell to 0.25% in August 2016. Short-term money market rates continue to fall to lower levels and investments in Money Market Funds generated an average rate of 0.28%.

## **Update on Investments with Icelandic Banks**

In March 2017 the Iceland authorities lifted the restriction of movement of monies from the country. It is planned that the balances held in Icelandic Krona can be withdrawn in 2017/18 and this is being pursued in partnership with the LGA.

# **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 Interim Joint Strategic Director of Transformation and Change, to certify that the accounts present a 'true and fair' view of the financial position of the Council as at the 31<sup>st</sup> March 2017 and its income and expenditure for the year ended 31 March 2017.

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 are:

- Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and Update (The Code)
- Service Reporting Code of Practice for Local Authorities 2016/17 and Update (SeRCOP)

These codes are updated annually by the Chartered Institute of Public Finance and Accountancy (CIPFA). There were no major changes for 2016/17.

### **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 2017.

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

### **These main statements are then supplemented by:**

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

### **Key areas covered in the Statement of Accounts include:-**

#### **Balance sheet**

The Balance Sheet again has a negative balance, which is an increase on the negative balance reported in March 2016. 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 [22](#).

There has been one large movement in the unusable reserves during the year. The pension reserve has increased by a net figure of £128m.

#### **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 £582.910m 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 £15.882m 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 2017 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 has increased to 21.1% from April 2017, following a full actuarial review.

### **Material events after the balance sheet date**

The Council is required to take into account items occurring after 31 March 2017 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. Events taking place after the 2 June 2017 are not reflected in the draft financial statements. The final Statement of Accounts will be published in September and will therefore include all post Balance Sheet events up to and including September 2017.

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 2017, 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 Council'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 2017/18**

At 31 March 2017 the Council's Working Balance stood at £9.352m and following an adjustment of £150k the revised balance for 2017/18 will be £9.200m which equates to approximately 5.0% of the net revenue budget for 2017/18 of £183.833m. 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 2017/18.

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. The Council's earmarked reserves will stand at £21,056m at 31 March 2017 (down from £29.412m at 31 March 2016). This includes schools balances and reserves of £4.383m (down from £7.301m).

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 2017 totalled £12.306m. Further details of provisions are in note [21](#). Regular reviews of the Council's financial health, in particular a review of reserves and provisions are undertaken during the year.

### **Looking forward to the medium term**

The local government finance settlement confirmed the 2017/18 allocation which was in line with our projections, with a further reduction in core grant funding from £33.211m to £23.058m: this is a reduction of over £10m, or just over 30%.



Alongside this reduction there are also a number of specific grants that are already included in service budgets. Grant reductions have to be borne by those services. These include:

- A £1.3m reduction in the education services grant.
- A reduction of £0.398m in the Public Health grant.
- A reduction of £0.128m in the subsidy for the cost of administering housing benefit.

Plymouth 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.

We are also preparing for the 100% retention of Business Rates which is planned to be introduced, for all local authorities. This change will have a significant impact upon the council's medium term financial planning and make forecasting less predictable and more volatile.

We continue to 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.

The capital programme has been restructured to take a much more strategic approach and has been expanded around four key outcomes:

- Delivering the Plymouth Plan
- Generating income
- Maintaining Council assets
- Transforming service delivery

In the next five years the Council contribution would increase by £266m, enabling the delivery of projects with a total value of over £417m. To fund this level of Council investment it is proposed to use prudential borrowing. Some of the schemes will be self-financing and for some the revenue costs have already been provided for in the MTFs. Investments could potentially be funded from a variety of alternatives enabling the borrowing requirement to be reduced including:

- Grants.
- Additional capital receipts.

### Concluding Remarks

The financial statements show that as a result of careful management of the Council's available resources we have achieved a balanced position. This has been achieved from the use of reserves and the application of capital receipts and we have 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 12 June 2017, and in line with our statutory duty, we made our accounts available for scrutiny by interested members of the public from 30 June 2017 to 11 August 2017.

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 2017.

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 0238 088 1892.
- 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 Section 151 Officer is required to sign the final accounts by a statutory deadline of 30 September 2017.

Further information is available:

- On the Council's website:  
<https://www.plymouth.gov.uk/aboutcouncil/councilfinancesandaccounts/statementaccounts> or
- From Carolyn Haynes, Financial Controller, Ballard House West Hoe Road, Plymouth PL1 3BJ, telephone 01752 398927, email [corporateaccountancy@plymouth.gov.uk](mailto:corporateaccountancy@plymouth.gov.uk).

Andrew Hardingham  
Interim Joint Strategic Director Transformation and Change and Section 151 Officer  
Ballard House  
West Hoe Road  
Plymouth  
PL1 3BJ  
Dated:

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

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

**The Interim Joint Strategic Director Transformation and Change (Section 151 Officer) responsibilities:**

The Interim Joint Strategic Director Transformation and Change is responsible for the preparation of the Council'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 Interim Joint Strategic Director Transformation and Change 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 Interim Joint Strategic Director Transformation and Change confirms that these statements give a 'true and fair' view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year ended 31 March 2017.

Andrew Hardingham  
Interim Joint Strategic Director Transformation and Change and Section 151 Officer  
Ballard House  
West Hoe Road  
Plymouth  
PL1 3BJ  
Dated:

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDING 31 MARCH 2017

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.

2015/16 Gross Expenditure	2015/16 Gross Income	2015/16 Net Expenditure		Note	2016/17 Gross Expenditure	2016/17 Gross Income	2016/17 Net Expenditure
£000	£000	£000			£000	£000	£000
7,426	(99)	7,327	Executive Office		5,606	(142)	5,464
29,324	(13,163)	16,161	Corporate Items		14,085	(19,221)	(5,136)
151,083	(113,232)	37,851	Transformation and Change Directorate		159,319	(116,244)	43,075
302,107	(180,576)	121,531	People Directorate		287,238	(157,247)	129,991
18,356	(17,813)	543	Public Health		20,137	(20,444)	(307)
86,775	(43,381)	43,394	Place Directorate		94,374	(56,421)	37,953
<b>595,071</b>	<b>(368,264)</b>	<b>226,807</b>	<b>(Surplus)/Deficit on Continuing Operations</b>		<b>580,759</b>	<b>(369,719)</b>	<b>211,040</b>
11,486	(7,296)	4,190	Other Operating Expenditure		28,115	(12,455)	15,660
35,961	(11,599)	24,362	Financing and Investment Income and Expenditure	<a href="#">13</a>	33,638	(9,256)	24,382
0	(214,709)	(214,709)	Taxation and Non-Specific Grant Income	<a href="#">14</a>	0	(214,260)	(214,260)
<b>642,518</b>	<b>(601,868)</b>	<b>40,650</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>642,512</b>	<b>(605,690)</b>	<b>36,822</b>
		(30,571)	(Surplus)/deficit on revaluation of non-current assets	<a href="#">22.5</a>			(55,673)
		(62,865)	Re-measurement of the net defined benefit liability (asset)	<a href="#">22.8</a>			125,008
		(803)	(Surplus)/Deficit on revaluation of Available for sale financials assets				326
		(418)	Other recognised (gains)/losses				516
		<b>(94,657)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>70,177</b>
		<b>(54,007)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>106,999</b>

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDING 31 MARCH 2017

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Total Comprehensive Expenditure and Income line shows the true economic cost of providing the council'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 General Fund	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015		10,620	28,487	39,107	10,798	8,333	58,238	(181,710)	(123,472)
<b>Movement in Reserves during 2015/16</b>									
Total Comprehensive Expenditure and Income		(40,650)	0	(40,650)	0	0	(40,650)	94,657	54,007
Adjustments between accounting basis & funding under regulations	<a href="#">10</a>	41,607	0	41,607	(1,809)	(5,964)	33,834	(33,834)	0
<b>Net Increase / (Decrease) before transfer to earmarked reserves</b>		<b>957</b>	<b>0</b>	<b>957</b>	<b>(1,809)</b>	<b>(5,964)</b>	<b>(6,816)</b>	<b>60,823</b>	<b>54,007</b>
Transfer (to)/ from earmarked reserve	<a href="#">12</a>	(925)	925	0	0	0	0	0	0
<b>Net Increase / (Decrease) in 2015/16</b>		<b>32</b>	<b>925</b>	<b>957</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	40,064	8,989	2,369	51,422	(120,887)	(69,465)
<b>Movement in Reserves during 2016/17</b>									
Total Comprehensive Expenditure and Income		(36,822)	0	(36,822)	0	0	(36,822)	(70,177)	(106,999)
Adjustments between accounting basis & funding under regulations	<a href="#">10</a>	27,166	0	27,166	9,610	4,073	40,849	(40,849)	0
<b>Net Increase / (Decrease) before transfer to earmarked reserves</b>		<b>(9,656)</b>	<b>0</b>	<b>(9,656)</b>	<b>9,610</b>	<b>4,073</b>	<b>4,027</b>	<b>(111,026)</b>	<b>(106,999)</b>
Transfer (to)/ from earmarked reserve	<a href="#">12</a>	8,356	(8,356)	0	0	0	0	0	0
<b>Net Increase / (Decrease) in 2016/17</b>		<b>(1,300)</b>	<b>(8,356)</b>	<b>(9,656)</b>	<b>9,610</b>	<b>4,073</b>	<b>4,027</b>	<b>(111,026)</b>	<b>(106,999)</b>
Balance at 31 March 2017		9,352	21,056	30,408	18,599	6,442	55,449	(231,913)	(176,464)

**BALANCE SHEET AS AT 31 MARCH 2017**

The Balance Sheet shows the value of the assets and liabilities recognised by the Council as at the Balance Sheet date. The net assets of the Council are matched by the reserves held. Usable reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). Unusable reserves are those that the Council is not able to use to provide services and are reserves that hold unrealised gains and losses (for example the Revaluation Reserve).

31 March 2016		Note	31 March 2017
£000			£000
653,923	Property Plant and Equipment	<a href="#">15</a>	694,910
27,059	Heritage Assets	<a href="#">16</a>	26,910
63,018	Investment Property	<a href="#">17</a>	98,102
1,555	Intangible Assets		35
34,991	Long Term Investments	<a href="#">18.1</a>	33,091
4,859	Long Term Debtors	<a href="#">19.2</a>	12,784
<b>785,405</b>	<b>Non-current Assets</b>		<b>865,832</b>
13,178	Short Term Investments	<a href="#">18.1</a>	17,229
739	Inventories		858
39,439	Short Term Debtors	<a href="#">19.1</a>	40,695
26,958	Cash and Cash Equivalents	<a href="#">23.4</a>	18,201
4,915	Assets Held for Sale		360
<b>85,229</b>	<b>Current Assets</b>		<b>77,343</b>
(97,812)	Short Term Borrowing	<a href="#">18.1</a>	(144,094)
(88,203)	Short Term Creditors	<a href="#">20.1</a>	(97,064)
(2,276)	Short Term Provisions	<a href="#">21</a>	(2,562)
<b>(188,291)</b>	<b>Current Liabilities</b>		<b>(243,720)</b>
(15,286)	Long Term Creditors	<a href="#">20.2</a>	(16,113)
(10,485)	Long Term Provisions	<a href="#">21</a>	(9,744)
(145,584)	Long Term Borrowing	<a href="#">18.1</a>	(145,657)
(455,599)	Long Term Liabilities Pensions	<a href="#">35.3 &amp; 35.9</a>	(582,910)
(124,854)	Long Term Liabilities Other	<a href="#">20.3</a>	(121,495)
<b>(751,808)</b>	<b>Long Term Liabilities</b>		<b>(875,919)</b>
<b>(69,465)</b>	<b>Net Assets</b>		<b>(176,464)</b>
51,422	Usable Reserves	<a href="#">22.1</a>	55,449
(120,887)	Unusable Reserves	<a href="#">22.1</a>	(231,913)
<b>(69,465)</b>	<b>Total Reserves</b>		<b>(176,464)</b>

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is borrowing) to the Council.

2015/16		Note	2016/17
£000			£000
(40,650)	Net Surplus or (Deficit) on the Provision of Services	<a href="#">23.1</a>	(36,822)
70,276	Adjustment to Net Surplus or (Deficit) on the Provision of the Services for Non Cash Movement	<a href="#">23.1</a>	52,700
(9,933)	Adjustment for Items included in the net Surplus or (Deficit) on the provision of services that are investing and Financing Activities	<a href="#">23.1</a>	(35,785)
<b>19,693</b>	<b>Net Cash Flow from Operating Activities</b>		<b>(19,907)</b>
(25,266)	Investing Activities	<a href="#">23.2</a>	(31,904)
24,903	Financing Activities	<a href="#">23.3</a>	43,053
<b>19,330</b>	<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>		<b>(8,758)</b>
7,628	Cash and Cash Equivalents at the beginning of the Reporting Period	<a href="#">23.4</a>	26,958
<b>26,958</b>	<b>Cash and Cash Equivalents at the end of the Reporting Period</b>		<b>18,200</b>

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## **I. Accounting Policies**

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

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year ended 31 March 2017. The Council 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 2016/17 (The Code), 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**

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods and services.
- Supplies and services are recorded as expenditure when they are consumed or received. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.
- Interest payable on borrowings and receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- A de-minimis of £500 is generally applied for income and expenditure.

### **I.3 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### **I.4 Benefit Payments**

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



### **1.5 Prior period adjustments, changes in accounting policies and estimates and errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices, where the change provides more reliable or relevant information about the effect of transactions or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

### **1.6 Charges to Revenue for Non-current Assets**

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

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

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

### **1.7 Employee Benefits**

#### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, flexi and time off in lieu (TOIL) as well as bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

#### **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 whilst employees worked for the Council.

### Teachers' Pension Scheme

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's 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 2.7 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.

## 1.8 Events After the Balance Sheet Date

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

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

## 1.9 Financial Instruments

### Financial liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the comprehensive income and expenditure statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement in the year of the repurchase or settlement. Where repurchase has taken place as part of a restructuring of a loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the comprehensive income and expenditure statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where, in previous periods, premiums and discounts have been charged to the comprehensive income and expenditure statement, regulations allow the impact on the general fund balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term remaining on the loan against which the premium was payable or the discount receivable when it was repaid. The reconciliation of amounts charged to the comprehensive income and expenditure statement to the net charge required against the general fund balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

### 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 initially measured at fair value and are carried 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. For most of the loans that the Council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable and interest credited to the comprehensive income and expenditure statement receivable for the year in the loan agreement.

The Council has made a small number of loans to other parties at less than market rates (soft loans). When soft loans are made a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from these bodies, with the difference serving to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the

impact of soft loans on the general fund balance is the interest receivable in the financial year. The reconciliation of amounts debited or credited to the Comprehensive Income and Expenditure Statement to interest credited to the general fund balance is accounted for by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of the likelihood, arising from a past event, that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

The impairment loss is measured as the difference between the carrying amount and present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on derecognition of assets are credited or debited to the Comprehensive Income and Expenditure Statement.

### **Available for Sale assets**

Available for sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, 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 amortised cost of the asset multiplied by the effective interest rate for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market price – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the available for sale reserve and the gain or loss is recognised in the surplus or deficit on the revaluation of available for sale financial asset. The exception is where impairment losses have been incurred. These are debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the available for sale reserves.

Where assets are identified as impaired because of a likelihood, arising from a past event, that payments due under the contract will not be made or fair value falls below cost, the asset is written down and a charge made to financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement along with any accumulated gains or losses previously recognised in the available for sale reserve.

Where fair value cannot be measured reliably the instrument is carried at cost less any impairment losses.

### 1.10 Government Grants and Contributions

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

- The Council will comply with the conditions attached to the payments.
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the 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 of Movement in Reserves Statement. 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 Statement, 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.

### 1.11 Agency Services

The Council 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.

### 1.12 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council as a result of past events is capitalised when it will bring benefits to the Council for more than one financial year. The Council 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 Council 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.

### **I.13 Joint Operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

### **I.14 Interests in Companies and Other Entities**

An assessment of the Council's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Council's control or influence over the entity demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors. The Council does have a number of interests in companies and other entities, none of which would be material on consolidation due to the elimination of group transactions. Thus the production of group accounts is not required for these interests.

### **I.15 Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at 1 January. A review is completed at 31 March to ensure that there are no material movements in the period 1 January to 31 March. 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.

### **I.16 Heritage Assets**

The Plymouth City Museum and Art Gallery is responsible for over 800,000 artefacts and a proportion of the collections have been held on display in the museum, council buildings and other historic sites. These collections span a wide range of fine and decorative art, archaeology, world cultures, social and natural history and local and maritime history. These are held in support of the primary objective of the



Council to ensure that these objects are preserved in trust for future generations because of their cultural, environmental or historical associations.

The Council classifies its Heritage Assets into three main categories – historic buildings and monuments, fine art and world cultures collections and gold, silver and jewellery collections – with the bulk of the artefacts not being formally recognised on the Balance Sheet as it is believed that to do so would involve a disproportionate cost in comparison to the benefits to users of the Council's financial statements.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets, as detailed below.

Where a historic building is being used significantly for the provision of services (for example Mount Edgcombe House or the City Museum) this will be recognised as Other Land and Buildings rather than as a Heritage Asset.

The Council's collections are accounted for, as follows:

- **Historic Buildings and monuments**

Historic buildings and monuments classified as Heritage Assets include Smeaton's Tower and the Elizabethan House.

The list is relatively static and acquisitions and donations are rare. Where they do occur acquisitions would be initially recognised at cost and donations would be recognised at insurance value which is based on market values.

As these are deemed to have an indefinite life, the Council does not consider it appropriate to charge depreciation.

- **Fine art and world cultures collection**

The Council has a large and important fine art collection comprising paintings, watercolours, drawings, prints, miniatures and sculptures. Highlights include the outstanding Cottonian Collection and works by local artists such as Sir Joshua Reynolds, and this represents the largest fine arts collection in the south west. The world cultures collection consists of objects collected from foreign countries spanning the globe.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance values, usually based on valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant information from sales at auction.

As these items are deemed to have an indefinite life, the Council does not consider it appropriate to charge depreciation.

- **Gold, silver and jewellery collection**

The collection of gold, silver and jewellery includes local pieces dating from the 18<sup>th</sup> to 20<sup>th</sup> century and is representative of the thriving local community. Key pieces in the collection include the Eddystone Lighthouse Salt and the Drake Cup.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance values, usually based on valuations provided by external valuers and with reference to appropriate commercial markets using the most relevant information from sales at auction.

The Council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological, decorative art, natural history and other collections. This is because of the lack of comparable market values and, consequently, these are not recognised on the balance sheet.

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

The carrying amount of Heritage Assets are reviewed on a regular basis to assess whether there has been any evidence of impairment caused by physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairments – see note [1.18](#) in this summary of significant accounting policies. If there is any occasion where a Heritage Asset is disposed of, the proceeds of such items are accounted for in accordance with the Council's general provisions for the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the Notes to the Financial Statements (see note [15.5](#)) and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts – see note [1.18](#) in this summary of significant accounting policies.

### **1.17 Leases**

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

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

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

#### **The Council 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 therefore there is no matching liability on the Balance Sheet. Initial direct costs to the Council 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 Council as Lessor (Council assets leased out)**

##### **Finance Leases**

Where the Council 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 Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the (Surplus)/deficit on continuing operations in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

### 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 Council and the cost of the item can be measured reliably.

The Council operates a policy of assets capitalisation (including donated assets) with a minimum asset value of £10,000 for land and property and £5,000 for vehicle, plant and equipment. However, there is no minimum level applied for capital spend incurred by individual schools financed from capital grants.

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- the Tamar Toll Bridge - depreciated replacement cost
- surplus assets – fair value
- all other assets – current value in their 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 current or fair value are revalued regularly and are reviewed at the year-end to ensure that their carrying amount is not materially different from their fair value.

#### Impairment

Assets are assessed at each year-end to determine whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

#### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets 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
Tamar Bridge	120 years
Infrastructure	20 to 40 years
Vehicles and Plant	5 to 25 years

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

### Componentisation

The Council's componentisation policy is as follows:

- **Materiality level**

Assets with a building value of £2.5m or above are considered for componentisation on an individual asset basis. Consideration is also given to groups of similar assets that individually are below the materiality level for componentisation but may collectively be material.

- **Significance**

Components with a value of 20 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 Council's underlying need to borrow (the Capital Financing Requirement).

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

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

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

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

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

- fair value of the services received during the year;
- finance costs – an interest charge on the outstanding Balance Sheet liability;
- contingent rent – increases in the amount to be paid for the property arising during the contract;
- payment towards finance liability – applied to write down the Balance Sheet liability towards the PFI operator;
- lifecycle costs – costs to maintain assets used to operationally acceptable standard.

#### Schools PFI credits

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

#### South West Devon Energy from Waste (EfW) PFI

For the Energy from Waste Scheme there is the additional element of deferred credit from the write down of the long term liability for the expected third party income received during the year.

### 1.20 Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

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

Provisions are charged to the appropriate service in the year that the Council becomes aware of its obligation. It can only be used for the purpose for which it was established.

#### Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in note [36.2](#).

### Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts, note [36.1](#), where it is probable that there will be an inflow of economic benefits or service potential.

### 1.21 Reserves

The Council maintains a number of reserves which may be required for statutory purposes or set up voluntarily to earmark resources for future spending plans or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

### 1.22 Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

### 1.23 Accounting for Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for Local Authority maintained schools lies with the Local Authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Local Authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council. The Council has the following types of maintained schools under its control:

- Community
- Voluntary Controlled

School non-current assets are recognised on the Balance Sheet where the Council directly owns the assets or where the school or the school governing body own the assets but the Council is deemed to exercise control.

When a maintained school converts to an Academy, Voluntary Aided or Foundation Trust/Foundation; the school's non-current assets held on the Council's Balance Sheet are treated as a disposal. The carrying value of the asset is written off to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written off asset value is not a charge against the General Fund, as the cost of non-current asset disposals resulting from schools transferring to an Academy is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **1.24 Value Added Tax (VAT)**

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

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

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical 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 Council has determined that this uncertainty is not yet sufficient to provide an indication that further assets of the Council 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.

### **Tamar Bridge valuation**

The Tamar Bridge is an income generating asset and the income generated is used to maintain its upkeep. It is therefore treated as a separate class of asset and the reader of the Tamar Bridge accounts might reasonably expect there to be a relationship between the income raised in tolls and the cost of maintaining and ultimately replacing the bridge.

In these circumstances, both Cornwall Council and Plymouth City Council have made the decision to depart from the CIPFA Code where infrastructure assets are currently measured at historic cost. Instead, they have applied their judgement that depreciated replacement cost is the most appropriate basis for valuing this asset. The bridge was originally opened in 1961 and was subject to a £35 million refurbishment in 2001, but the details of the original build costs are not available. It has therefore not been possible to identify an accurate historic cost figure.

## **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 2016/17 accounts relate to changes adopted into CIPFA's Accounting Code of Practice in 2017/18 and are as follows:

- IFRS 9 "Financial Instruments" has been issued by the IASB with an effective date of 1 January 2018. The Standard, which supersedes all previous versions and replaces IAS 39 Financial Instruments: Recognition and Measurement, will be adopted in the 2018/19 Code, subject to confirmation of CIPFA/LASAAC's views.
- IFRS 15 "Revenue from Contracts with Customers" replaces IAS 18 Revenue and IAS 11 Construction Contracts and is effective from 1 January 2018.
- IFRS 16 "Leases" was issued by the IASB in January 2016. The standard has an effective date of 1 January 2019 which means it is anticipated to apply to Local Authorities in the 2019/20 financial year.

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, a detailed review of the standards shown above is yet to be undertaken.

#### **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 (for further details see [1.18](#)); 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 Council with expert advice about the assumptions to be applied.

Sensitivity analysis of the impact of a 1% change in discount rate and a 1 year change in mortality rate assumptions can be found in the Pension disclosure note [35](#).

#### **5. Events after the Balance Sheet date**

Events taking place after the 2 June 2017 are not reflected in the financial statements. The Statement of Accounts was authorised by the Council's Section 151 Officer on 29 June 2017. Where events taking place before this date provided information about conditions existing at 31 March 2017, 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 Council'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.

The new Business Rates appeal system which is called 'Check, Challenge, Appeal' came into force on 1 April 2017. The changes are designed to speed up the process of appeals through the system in a structured and transparent way. This should result in fewer appeals being lodged but a higher success rate for the Business Rates payer of those appeals that are lodged.

It is too early to predict whether this is materialising so we will continue to closely monitor appeals during 2017/18 to ensure we can manage any change that would have an impact on the Appeals Provision.

## 6. Prior period restatement of service Expenditure and Income

The 2016/17 Code requires that Authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the Council's internal management reporting structure. This is a change from a previous requirement to present expenditure and income in accordance with the Service Expenditure Code of Practice (SERCOP). This note shows how the net expenditure and income has been restated.

SERCOP Service line	As reported in the CIES 2015/16	As restated 2015/16
<b>Net Expenditure</b>	<b>£000</b>	<b>£000</b>
Adult Social Care	68,961	
Corporate & Democratic Core	4,121	
Central Services	2,073	
Cultural & Related Services	15,301	
Children's & Educational Services	80,670	
Environmental & Regulatory Services	25,856	
Housing Services	5,803	
Highways & Transport Services	20,116	
Non Distributed Costs	(3,923)	
Public Health	536	
Planning Services	6,130	
<b>Cost of Services</b>	<b>225,644</b>	
Executive Office		7,327
Corporate Items		16,161
Transformation and Change		37,851
People Directorate		121,531
Public Health		543
Place Directorate		43,394
<b>Cost of Services</b>	<b>225,644</b>	<b>226,807</b>
Other Operating Expenditure	4,190	4,190
Financing and Investment Income and Expenditure	25,525	24,362
Taxation and Non-Specific Grant Income	(214,709)	(214,709)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>40,650</b>	<b>40,650</b>
(Surplus)/Deficit on revaluation of non-current assets	(30,571)	(30,571)
Re-measurement of the net defined benefit liability (asset)	(62,865)	(62,865)
(Surplus)/Deficit on revaluation of available for sale financial assets	(803)	(803)
Landfill Provision	(418)	(418)
<b>Other Comprehensive Income and Expenditure</b>	<b>(94,657)</b>	<b>(94,657)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(54,007)</b>	<b>(54,007)</b>



## 7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by Local Authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16 Net Expenditure Chargeable to the General Fund Balances	2015/16 Adjustments between the Funding and Accounting Basis	2015/16 Net Expenditure in the CIES		2016/17 Net Expenditure Chargeable to the General Fund Balances	2016/17 Adjustments between the Funding and Accounting Basis	2016/17 Net Expenditure in the CIES
£000	£000	£000		£000	£000	£000
5,502	1,825	7,327	Executive Office	3,914	1,550	5,464
2,470	13,691	16,161	Corporate Items	9,093	(14,229)	(5,136)
66,653	(28,802)	37,851	Transformation and Change Directorate	35,408	7,667	43,075
106,509	15,022	121,531	People Directorate	122,910	7,081	129,991
(1,368)	1,911	543	Public Health	451	(758)	(307)
11,004	32,390	43,394	Place Directorate	20,683	17,270	37,953
<b>190,770</b>	<b>36,037</b>	<b>226,807</b>	<b>Net Cost of Service</b>	<b>192,459</b>	<b>18,581</b>	<b>211,040</b>
45	4,144	4,189	Other Operating Expenditure	34	15,627	15,661
753	23,609	24,362	Financing and Investment Income and Expenditure	4,846	19,535	24,381
(192,526)	(22,183)	(214,709)	Taxation and Non-Specific Grant Income	(187,683)	(26,577)	(214,260)
(191,727)	5,570	(186,157)	Other Income and Expenditure	(182,803)	8,585	(174,218)
<b>(957)</b>	<b>41,607</b>	<b>40,650</b>	<b>(Surplus)/Deficit on provision of services</b>	<b>9,656</b>	<b>27,166</b>	<b>36,822</b>
(39,107)			Opening General Fund	(40,064)		
(957)			Less/Plus (Surplus)/Deficit on General Fund Balance in Year	9,656		
<b>(40,064)</b>			<b>Closing General Fund Balance at 31 March</b>	<b>(30,408)</b>		



## 8. Note to the Expenditure and Funding Analysis

Adjustments between funding and accounting basis

Adjustments from General Fund to arrive at the CIES amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
2016/17	£000	£000	£000	£000
Executive Office	15	(3)	1,538	1,550
Corporate Items	4,119	(16,484)	(1,864)	(14,229)
Transformation and Change Directorate	7,926	(30)	(229)	7,667
People Directorate	4,596	(505)	2,990	7,081
Public Health	77	(6)	(829)	(758)
Place Directorate	20,139	(29)	(2,840)	17,270
<b>Net Cost of Service</b>	<b>36,872</b>	<b>(17,057)</b>	<b>(1,234)</b>	<b>18,581</b>
Other income and expenditure from the Expenditure and Funding Analysis	21,321	16,458	(29,194)	8,585
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>58,193</b>	<b>(599)</b>	<b>(30,428)</b>	<b>27,166</b>

Adjustments from General Fund to arrive at the CIES amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
2015/16	£000	£000	£000	£000
Executive Office	15	71	1,739	1,825
Corporate Items	26,411	(4,395)	(8,325)	13,691
Transformation and Change Directorate	3,235	604	(32,641)	(28,802)
People Directorate	3,387	(1,247)	12,882	15,022
Public Health	77	104	1,730	1,911
Place Directorate	19,327	629	12,434	32,390
<b>Net Cost of Service</b>	<b>52,452</b>	<b>(4,234)</b>	<b>(12,181)</b>	<b>36,037</b>
Other income and expenditure from the Expenditure and Funding Analysis	12,738	16,366	(23,534)	5,570
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>65,190</b>	<b>12,132</b>	<b>(35,715)</b>	<b>41,607</b>

### Adjustment for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions, or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### Net change for the pension adjustments

Net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income:

- **Services** – this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs
- **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

### Other differences

- **Financing and investment income and expenditure** – the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## 9. Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

Expenditure/Income	2015/16	2016/17
	£000	£000
<b>Expenditure:</b>		
Employee benefits expenses	172,749	173,536
Other services expenses	400,594	416,498
Depreciation, amortisation, impairment	55,237	38,420
Interest payments	13,938	14,057
<b>Total expenditure</b>	<b>642,518</b>	<b>642,511</b>
<b>Income:</b>		
Fees, charges and other service income	(274,467)	(304,564)
Interest and investment income	(5,972)	(4,428)
Income from council tax, non-domestic rates, district rate income	(103,611)	(102,523)
Government grants and contributions	(217,818)	(194,175)
<b>Total income</b>	<b>(601,868)</b>	<b>(605,690)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>40,650</b>	<b>36,821</b>

## 10. Adjustments between accounting basis and funding basis under regulations

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

Adjustments between Accounting Basis and Funding Basis under Regulations	2015/16				2016/17			
	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	51,935	0	0	(51,935)	36,094	0	0	(36,094)
Movements in the market value of Investment Properties	(8)	0	0	8	(2,633)	0	0	2,633
Amortisation of intangible assets	551	0	0	(551)	648	0	0	(648)
Capital grants and contributions	(29,206)	0	29,206	0	(28,255)	0	28,255	0
Revenue expenditure funded from capital under statute	8,900	0	0	(8,900)	8,987	0	0	(8,987)
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	7,559	0	0	(7,559)	19,381	0	0	(19,381)
Deferred credit Energy from Waste	(2,267)	0	0	2,267	(2,324)	0	0	2,324
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment	(3,404)	0	0	3,404	(3,528)	0	0	3,528
Capital expenditure charged against the General Fund	(1,960)	0	0	1,960	(1,214)	0	0	1,214
<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	4,853	0	(4,853)	0	6,964	0	(6,964)
Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement	(3,750)	3,750	0	0	(4,109)	4,109	0	0
<b>Total C/FWD</b>	<b>28,350</b>	<b>8,603</b>	<b>29,206</b>	<b>(66,159)</b>	<b>23,047</b>	<b>11,073</b>	<b>28,255</b>	<b>(62,375)</b>

Adjustments between Accounting Basis and Funding Basis under Regulations	2015/16				2016/17			
	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>28,350</b>	<b>8,603</b>	<b>29,206</b>	<b>(66,159)</b>	<b>23,047</b>	<b>11,073</b>	<b>28,255</b>	<b>(62,375)</b>
Long term debtor repayments in year	0	126	0	(126)	0	21	0	(21)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(10,536)	0	10,536	0	(1,482)	0	1,482
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	2	(2)	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	(35,170)	35,170	0	0	(24,182)	24,182
<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	(162)	0	0	162	(176)	0	0	176
<b>Adjustments involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	30,349	0	0	(30,349)	20,764	0	0	(20,764)
Employer's pensions contributions and direct payments to pensioners payable in the year	(18,165)	0	0	18,165	(17,645)	0	0	17,645
<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	2,651	0	0	(2,651)	808	0	0	(808)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,418)	0	0	1,418	366	0	0	(366)
<b>Total Adjustments</b>	<b>41,607</b>	<b>(1,809)</b>	<b>(5,964)</b>	<b>(33,834)</b>	<b>27,166</b>	<b>9,610</b>	<b>4,073</b>	<b>(40,849)</b>

## 11. Other Operating Expenditure

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

Other Operating Expenditure	2015/16	2016/17
	£000	£000
Levies	59	68
Payments to the Government Housing Capital Receipts Pool	2	2
Gains/losses on the disposal of non-current assets	7,643	17,823
Pension Administration costs	236	356
Other Income*	(3,750)	(2,589)
<b>Total</b>	<b>4,190</b>	<b>15,660</b>

\*Other income generally relates to capital receipts in year for which no asset can be identified on the Balance Sheet, such as repaid discounts from former Council House sales, covenants and lease premiums as well as the income receivable under the stock transfer agreement relating to VAT shelter receipts.

## 12. Movement in Earmarked Reserves

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

Summary group	Balance as at 31 March 2016	Transfers to Reserves 16/17	Transfers from Reserves 16/17	Balance as at 31 March 2017
	£000	£000	£000	£000
<b>Education Reserves</b>	(7,253)	(9)	2,880	(4,382)
<b>Other Ring Fenced</b>	(3,021)	(861)	312	(3,570)
<b>Other Reserves</b>	(4,491)	(1,323)	927	(4,887)
<b>PCC Earmarked Reserves:</b>				
Insurance and Risk Management Reserve	(276)	0	276	0
Pensions	(400)	0	400	0
Carry Forwards and Corporate Health	(838)	(400)	838	(400)
Redundancies Reserve	(1,000)	(350)	1,000	(350)
Modernisation Enabler	(1,100)	(541)	664	(977)
Life Centre Dowry	(750)	(150)	0	(900)
Stock Transfer Residual Liabilities	(1,005)	0	1,005	0
Investment Fund	(1,606)	0	1,419	(187)
Business Rates Reserve	(1,000)	0	1,000	0
Care Act	(2,200)	0	2,200	0
Integrated Finance Reserve	(1,000)	0	375	(625)
Other PCC Earmarked Reserves	(3,472)	(4,221)	2,915	(4,778)
<b>Total Reserves</b>	<b>(29,412)</b>	<b>(7,855)</b>	<b>16,211</b>	<b>(21,056)</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 2017 balance relating to the School budget share was £3.197m (31 March 2016: £6.076m).

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.

### 13. Financing and investment income and expenditure

This contains corporate items of income and expenditure arising from the Council's involvement in financial instruments and similar transactions involving interest or the unwinding of discounts. This heading also includes the income and expenditure relating to investment properties, further details of which can be found in note [18](#).

Analysis of Income / Expenditure	2015/16	2016/17
	£000	£000
Interest payable and similar charges	13,933	14,302
Pensions interest cost and expected return on pension assets	16,096	15,775
Interest receivable and similar income	(1,486)	(1,678)
(Surpluses) / deficits on trading undertakings not included in Net Cost of Services	(1,632)	55
Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal	(2,550)	(4,072)
<b>Total</b>	<b>24,362</b>	<b>24,382</b>

### 14. 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	2015/16	2016/17
	£000	£000
Council Tax Income	(90,861)	(94,434)
Non Domestic Rates	(52,040)	(55,854)
Non-ringfenced Government Grants	(50,662)	(42,578)
Capital Grants and Contributions	(21,146)	(21,394)
<b>Total</b>	<b>(214,709)</b>	<b>(214,260)</b>

## 15. Property, plant and equipment

### 15.1 Movement in year

The movement in Property Plant and Equipment (PPE) in 2016/17 is summarised in the following table:

2016/17	Other Land and Buildings	Vehicles, Plant, Furniture and Fittings	Infrastructure Assets	Toll Bridge	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
At 1 April 2016	507,552	64,375	187,173	56,700	1,588	3,341	9,724	830,453	122,246
Additions	13,983	1,983	13,081	0	4	0	14,439	43,490	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	42,031	0	0	0	0	(399)	0	41,632	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	402	0	0	0	0	(245)	0	157	0
Derecognition - disposals	(1,197)	(1,838)	0	0	0	(26)	0	(3,061)	0
Other movements in cost or valuation	(44,338)	(1,765)	1,166		132	(888)	(4,147)	(49,840)	0
<b>At 31 March 2017</b>	<b>518,433</b>	<b>62,755</b>	<b>201,420</b>	<b>56,700</b>	<b>1,724</b>	<b>1,783</b>	<b>20,016</b>	<b>862,831</b>	<b>122,246</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2016	(68,013)	(33,676)	(70,710)	(1,875)	(1,166)	(1,090)	0	(176,530)	(5,595)
Depreciation charge	(16,874)	(4,917)	(9,203)	(945)	0	(28)	0	(31,967)	(4,513)
Depreciation written out to the Revaluation Reserve	14,140	0	0	0	0	18	0	14,158	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	532	0	0	0	0	1,089	0	1,621	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	(290)	0	0	0	0	0	0	(290)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,468)	(419)	0	0	(136)	0	0	(3,023)	0
Derecognition - disposals	95	1,765	0	0	0	0	0	1,860	0
Other movements in depreciation and impairment	24,720	1,547	0	0	0	(17)	0	26,250	0
<b>At 31 March 2017</b>	<b>(48,158)</b>	<b>(35,700)</b>	<b>(79,913)</b>	<b>(2,820)</b>	<b>(1,302)</b>	<b>(28)</b>	<b>0</b>	<b>(167,921)</b>	<b>(10,108)</b>
<b>Net Book Value</b>									
<b>At 31 March 2017</b>	<b>470,275</b>	<b>27,055</b>	<b>121,507</b>	<b>53,880</b>	<b>422</b>	<b>1,755</b>	<b>20,016</b>	<b>694,910</b>	<b>112,138</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>

\*Other movements include the transfer of schools to Trust and Academy status.

2015/16	Other Land and Buildings	Vehicles, Plant, Furniture and Fittings	Infrastructure Assets	Toll Bridge	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and 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
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
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
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>

\*Other movements include the transfer of schools to Trust or Academy status.



### 15.2 Commitments under capital contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2017 amounted to £25.438m (31 March 2016 £39.788m). 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.

### 15.3 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 Council 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, 12 schools transferred to Academy status, and also 10 schools, which previously held voluntary/controlled status, transferred to Academy status.

### 15.4 Revaluations/impairments

The Council 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 and Ms S Partridge, RICS Registered Valuers.

Revaluations	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000
Carried at historical cost	87	27,055	0	27,142
<b>Valued at current value as at:</b>				
31 March 2017	152,071	0	1,755	153,826
31 March 2016	199,829	0	0	199,829
31 March 2015	20,166	0	0	20,166
31 March 2014	75,458	0	0	75,458
31 March 2013	22,664	0	0	22,664
<b>Total Cost of Valuation</b>	<b>470,275</b>	<b>27,055</b>	<b>1,755</b>	<b>499,085</b>

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

In 2016/17, the Council incurred a net loss on disposal of non-current assets of £17.861m (2015/16 £8.647m).

Assets Written Off Balance Sheet	2015/16	2016/17
	£000	£000
Land and Property Sales	928	(2,313)
Academy and Trust Schools	7,793	20,137
Investment Properties	(74)	37
<b>Total</b>	<b>8,647</b>	<b>17,861</b>

## 16. Heritage assets

The Council holds the following types of heritage assets:

### Historic buildings and monuments

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

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

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

The Council's policy for the acquisition, preservation and management of museum assets can be found on the [History Centre 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 and Jewellery	Total Assets
	£000	£000	£000	£000
<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>
<b>Cost or Valuation</b>				
As at 1 April 2016	6,017	16,713	4,329	27,059
Additions	53	0	0	53
Revaluations	0	(250)	0	(250)
Reclassification	48	0	0	48
<b>As at 31 March 2017</b>	<b>6,118</b>	<b>16,463</b>	<b>4,329</b>	<b>26,910</b>

## 17. Investment Properties

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

Investment properties are properties held solely to earn rentals or for capital appreciation or both. In the main, the Council's investment properties consist of the City Centre Commercial (Shop) Estate, Friary Retail Park and a number of Industrial Estates.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

Amounts recognised in the CIES	2015/16	2016/17
	<b>£000</b>	<b>£000</b>
Rental income from investment property	(3,600)	(4,743)
Direct operating expenses arising from investment property	1,132	1,446
<b>Net gain/(loss)</b>	<b>(2,468)</b>	<b>(3,297)</b>

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

Analysis of movement in Investment Properties	2015/16	2016/17
	<b>£000</b>	<b>£000</b>
Balance at 1 April	64,161	63,018
Additions	158	30,898
Disposals	(1,222)	(173)
Net gains / (losses) from fair value adjustments	8	2,348
<b>Transfers:</b>		
(to) / from Inventories	0	0
(to) / from Property, Plant & Equipment	0	2,011
Other changes	(87)	0
<b>Balance at 31 March</b>	<b>63,018</b>	<b>98,102</b>

## 17.2 Fair Value Hierarchy for Investment Properties

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2017 are as follows:

Recurring fair value measurements using	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2017
2016/17	£000	£000	£000	£000
CAT1 - Depots and Workshops	0	0	0	0
CAT2 - Development and Surplus Land	0	5,952	50	6,002
CAT3 - Industrial sites	0	20,725	0	20,725
CAT4 - Lodges	0	155	0	155
CAT5 - Miscellaneous Ground Rents	0	1,969	3,488	5,457
CAT6 - Miscellaneous Let	0	4,690	38	4,728
CAT7 - Offices	0	1,797	0	1,797
CAT8 - Retail Ground Rents	0	34,420	0	34,420
CAT9 - Out of Town Retail	0	24,818	0	24,818
<b>Total</b>	<b>0</b>	<b>94,526</b>	<b>3,576</b>	<b>98,102</b>

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

Recurring fair value measurements using	Quoted Prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2016
2015/16	£000	£000	£000	£000
CAT1 - Depots and Workshops	0	267	0	267
CAT2 - Development and Surplus Land	0	4,012	50	4,062
CAT3 - Industrial sites	0	15,180	0	15,180
CAT4 - Lodges	0	160	0	160
CAT5 - Miscellaneous Ground Rents	0	1,713	3,323	5,036
CAT6 - Miscellaneous Let	0	4,269	54	4,323
CAT7 - Offices	0	1,968	0	1,968
CAT8 - Retail Ground Rents	0	32,022	0	32,022
CAT9 - Out of Town Retail	0	0	0	0
<b>Total</b>	<b>0</b>	<b>59,591</b>	<b>3,427</b>	<b>63,018</b>

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

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

#### Significant Observable Inputs – Level 2

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 Council'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 Council's office and commercial units are therefore categorised as Level 2 in the fair value hierarchy as the measurement technique uses significant observable inputs to determine the fair value measurements.

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

Assets categorised at Level 3 in the fair value hierarchy have been assessed where there is a significant level of unobservable inputs. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available. Where there is no reasonably available market evidence available in the Plymouth area to determine the Current Value (Fair Value) the Valuer will use their professional opinion based on considered assumptions such as the potential yields, rental growth and occupancy levels.

#### Highest and Best use of Investment Properties

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

### 17.4 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	31 March 2017
	£000	£000
Opening Balance	0	3,427
Reclassifications in to Investment Properties at Level 3	0	205
Reclassifications out of Investment Properties at Level 3	0	(231)
Transfers into Level 3	2,969	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	175
Closing Balance	3,427	3,576

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.

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

Subcategory at Fair Value Level 3	31 March 2017	Valuation technique used to measure fair value	Unobservable inputs	Range (weighted average used)	Sensitivity
	£000				
Development and Surplus Land	50	Comparable	Capital Values	N/a	Significant variations in the components (type of building, size and location) will result in a significantly lower or higher fair value
Misc. Ground Rents	3,488	Income approach using a term and reversion technique	Rent growth	0% - 3% (0.2%)	Significant changes in rent growth and investment yield will result in a significantly lower or higher fair value
			Discount rate	6% - 15% (8.1%)	
Misc. Let Properties	38	Income approach using a term and reversion technique	Rent growth	20%	Significant changes in rent growth and investment yield will result in a significantly lower or higher fair value
			Discount rate	9%	

## 18. Financial instruments

### 18.1 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	
	Restated 31 March 16	31 March 17	Restated 31 March 16	31 March 17	Restated 31 March 16	31 March 17
	£000	£000	£000	£000	£000	£000
<b>Financial liabilities at amortised cost</b>						
PWLB Debt	(44,252)	(44,539)	(287)	(287)	(44,539)	(44,826)
Other Borrowings	(101,332)	(101,118)	(97,524)	(143,807)	(198,856)	(244,925)
Deferred Liabilities	(62,762)	(61,573)	(1,082)	(1,185)	(63,844)	(62,758)
Other Liabilities	(8,486)	(8,761)	(521)	(555)	(9,007)	(9,316)
Trade Creditors	0	0	(22,715)	(25,556)	(22,715)	(25,556)
<b>Total Financial Liabilities</b>	<b>(216,832)</b>	<b>(215,991)</b>	<b>(122,129)</b>	<b>(171,390)</b>	<b>(338,961)</b>	<b>(387,381)</b>
<b>Loans and receivables:</b>						
Investments	4,615	3,041	13,178	17,229	17,793	20,270
Contractual debtors (net of impairment)	0	0	17,422	19,852	17,422	19,852
Cash and cash equivalents	0	0	26,958	18,201	26,958	18,201
<b>Available for sale investments:</b>						
Long term investments at fair value	30,376	30,050	0	0	30,376	30,050
<b>Total Financial Assets</b>	<b>34,991</b>	<b>33,091</b>	<b>57,558</b>	<b>55,282</b>	<b>92,549</b>	<b>88,373</b>

Note: LOBOs (Local Authority Lender's Option Borrower's Option loans) of £46.000m have been included in long term borrowing but have a call date in the next 12 months. A call date means that the lender has the option to change the interest rate for the remaining period of the loan. The Council then has the option to accept the new rate or redeem.

The prior year values of deferred liabilities has been restated to exclude deferred income of £53.445m relating to the energy from waste PFI scheme as deferred income does not meet the definition of a financial instrument in line with the code.

### 18.2 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	2015/16			2016/17		
	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	13,933	0	13,933	14,302	0	14,302
Interest payable and similar charges	13,933	0	13,933	14,302	0	14,302
Interest income	0	(1,486)	(1,486)	0	(1,678)	(1,678)
Interest and investment income	0	(1,486)	(1,486)	0	(1,678)	(1,678)
Net (gain)/loss for the year	13,933	(1,486)	12,447	14,302	(1,678)	12,624

### 18.3 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 2017.

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 2017.

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	Restated 31 March 2016		31 March 2017	
		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)	(64,627)	(44,539)	(72,041)
Long-term LOBO loans	2	(198,856)	(254,933)	(245,212)	(323,475)
Lease payables and PFI liabilities	3	(63,844)	(63,844)	(62,759)	(62,759)
<b>Total</b>		<b>(307,239)</b>	<b>(383,404)</b>	<b>(352,510)</b>	<b>(458,275)</b>
Liabilities for which fair value is not disclosed *		(34,207)		(35,453)	
<b>Total Financial Liabilities</b>		<b>(341,446)</b>		<b>(387,963)</b>	
<b>Recorded on balance sheet as:</b>					
Short-term creditors		(26,641)		(27,838)	
Short-term borrowing		(97,812)		(144,094)	
Long-term borrowing		(145,584)		(145,657)	
Other long-term liabilities		(71,409)		(70,374)	
<b>Total Financial Liabilities</b>		<b>(341,446)</b>		<b>(387,963)</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 council'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 2016		31 March 2017	
		Balance Sheet	Fair value	Balance Sheet	Fair value
		£000	£000	£000	£000
<b>Financial Assets held at fair value:</b>					
Bond, equity and property funds	1	30,376	30,376	30,050	30,050
Corporate, covered and government bonds	2	3,007	3,007	3,006	3,006
<b>Total</b>		<b>33,383</b>	<b>33,383</b>	<b>33,056</b>	<b>33,056</b>
Assets for which fair value is not disclosed*		59,165		55,317	
<b>Total financial assets</b>		<b>92,548</b>		<b>88,373</b>	
<b>Recorded on balance sheet as:</b>					
Long-term investments		34,991		33,091	
Short-term debtors		17,421		19,852	
Short-term investments		13,178		17,229	
Cash and cash equivalents		26,958		18,201	
<b>Total financial assets</b>		<b>92,548</b>		<b>88,373</b>	

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

## 18.4 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 Strategy](#) 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 (DCLG) 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 £12.000m 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).

Credit risk by age	31 March 2016	31 March 2017
	£000	£000
Less than three months	9,585	7,478
Three to six months	863	666
Six months to one year	784	1,165
More than one year	2,158	2,417
<b>Total</b>	<b>13,390</b>	<b>11,726</b>

### 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	Restated 31 March 2016	31 March 2017
	£000	£000
Public Works Loans Board	(44,252)	(44,252)
Market debt	(100,000)	(100,000)
Temporary borrowing	(96,000)	(142,057)
Other borrowing	(176)	(176)
Deferred Liability (PFI)	(62,162)	(61,119)
Deferred Liability (Finance Leases)	(1,682)	(1,640)
Other Liabilities	(9,007)	(9,316)
Trade Creditors	(21,308)	(25,556)
<b>Total</b>	<b>(334,587)</b>	<b>(384,116)</b>
Less than 1 year	(119,088)	(172,024)
Between 1 and 2 years	(564)	(1,394)
Between 2 and 5 years	(10,124)	(11,045)
Between 5 and 10 years	(12,064)	(13,053)
Between 10 and 20 years	(64,696)	(65,269)
Between 20 and 30 years	(21,732)	(15,017)
Between 30 and 40 years	(12,597)	(10,540)
Between 40 and 50 years	(50,346)	(57,416)
Over 50 years	(43,376)	(38,358)
<b>Total</b>	<b>(334,587)</b>	<b>(384,116)</b>

There is £10.000m in the over 50 year category of LOBO's which have a call date in the next 12 months.

£96.000m of short term borrowing in place at 31 March 2017 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 2016/17 if required, thus reducing credit risk. These repayments are not subject to liquidity risk and 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 £20.000m. A 5% fall in commercial property prices would result in a £1.000m charge to Other Comprehensive Income and Expenditure – this would have no impact on the General Fund until the investment was sold.

The Council's investment in a pooled equity fund is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £20.000m. A 5% fall in share prices would result in a £1.000m charge to Other Comprehensive Income and 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 £1.500m 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.

## **19. Debtors**

### **19.1 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 Council expects to collect from debtors existing at the Balance Sheet date.

Category of Debtor	31 March 2016	31 March 2017
	£000	£000
<b>Amounts Falling Due in One Year:</b>		
Central Government Departments	4,000	7,205
Public corporations and Trading Funds	0	0
NHS Bodies	930	589
Other Local Authorities	5,821	5,263
Other entities and individuals	28,688	27,638
<b>Total Short Term Debtors</b>	<b>39,439</b>	<b>40,695</b>

## 19.2 Long term debtor

Category of Debtor	31 March 2016	31 March 2017
	£000	£000
Secured Debt	1,084	852
Council House Mortgages	3	1
Other Loans/Mortgages	3,772	10,007
Other Long Term Debts	0	1,924
<b>Total Long Term Debtors</b>	<b>4,859</b>	<b>12,784</b>

## 19.3 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 2016	Provision made in year	Provision used in year	31 March 2017
	£000	£000	£000	£000
General Fund	(1,377)	(576)	331	(1,622)
Housing Benefit Overpayments Provision	(3,499)	(1,953)	1,160	(4,292)
Collection Fund	(4,587)	(1,527)	1,091	(5,023)
<b>Total Provisions For Bad Debt</b>	<b>(9,463)</b>	<b>(4,056)</b>	<b>2,582</b>	<b>(10,937)</b>

## 20. Creditors

### 20.1 Short term creditors

Creditors payable within the next 12 months are:

Category of Creditor	31 March 2016	31 March 2017
	£000	£000
Central Government Departments	(2,849)	(2,213)
Corporations and Trading Funds	0	0
NHS Bodies	(2,407)	(2,438)
Other Local Authorities	(4,679)	(3,781)
Other entities and individuals	(78,268)	(88,632)
<b>Total</b>	<b>(88,203)</b>	<b>(97,064)</b>

### 20.2 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 2016	31 March 2017
	£000	£000
Other Local Authorities	(15,065)	(15,882)
Other entities and individuals	(221)	(231)
<b>Total</b>	<b>(15,286)</b>	<b>(16,113)</b>

### 20.3 Other long term liabilities

Analysis of Other Long Term Liabilities	31 March 2016	31 March 2017
	£000	£000
PFI Finance Leases	(114,564)	(111,094)
Other Finance Leases	(1,638)	(1,601)
Plymouth Science Park (formally Tamar Science Park)	(166)	(39)
Cornwall Council - re Tamar Bridge and Torpoint Ferry Joint Committee	(8,486)	(8,761)
<b>Total</b>	<b>(124,854)</b>	<b>(121,495)</b>

## 21. Provisions

The Council has a number of budget provisions set up to meet known liabilities. Provisions are required for any financial liabilities or losses which are likely or certain to be incurred but the timing or amounts are uncertain. The provisions for the year are £12.306m (2015/16 £12.761m) and includes short term provisions £2.562m (2015/16 £2.276m) and long term provisions £9.744m (2015/16

£10.485m). The balance on the provisions at year end together with movement in the year is outlined below:

Analysis of Provisions held	31 March 2016	Provision made in year	Payments used in year	Unused amounts reversed in year	31 March 2017
	£000	£000	£000	£000	£000
Insurance Provisions	(3,738)	(2,346)	3,300	111	(2,673)
Landfill Site Provision	(7,848)	(923)	335	0	(8,436)
Other Provisions	(1,175)	(2,162)	2,140	0	(1,197)
<b>Total Provisions</b>	<b>(12,761)</b>	<b>(5,431)</b>	<b>5,775</b>	<b>111</b>	<b>(12,306)</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 a provision of £8.436m as at 31 March 2017 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 50 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 £1.059m for business rate appeals as shown within the Collection Fund Statement note [5](#).

## 22. Reserves

### 22.1 Usable and unusable reserves summary

The Council holds a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accountancy practice and others have been set up voluntarily to earmark resources for future spending plans. The following table outlines the main reserves 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 2016	31 March 2017
		£000	£000
<b>Usable Reserves</b>			
General Fund Balance	<a href="#">22.2</a>	10,652	9,352
Earmarked General Fund Reserves	<a href="#">12</a>	29,412	21,056
Capital Receipts Reserve	<a href="#">22.3</a>	8,989	18,600
Capital Grants and Contributions Unapplied	<a href="#">22.4</a>	2,369	6,440
<b>Total Usable Reserves</b>		<b>51,422</b>	<b>55,449</b>
<b>Unusable Reserves</b>			
Revaluation Reserve	<a href="#">22.5</a>	119,216	157,167
Capital Adjustment Account	<a href="#">22.6</a>	251,320	229,871
Financial Instruments Adjustment Account		(19,161)	(18,985)
Pensions Reserve	<a href="#">22.8</a>	(470,664)	(598,792)
Collection Fund Adjustment Account		(1,529)	(2,336)
Accumulating Compensated Absences Adjustment Account		(2,426)	(2,791)
Deferred Capital Receipts		6	1,928
Available for Sale Financial Instruments Reserve		2,351	2,025
<b>Total Unusable Reserves</b>		<b>(120,887)</b>	<b>(231,913)</b>
<b>Total Reserves</b>		<b>(69,465)</b>	<b>(176,464)</b>

## 22.2 General fund balance

The General Fund Balance (also known as the 'Working Balance') represents accumulated surplus of income over expenditure in relation to the Council'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 31 March 2017 was £9.352m (31 March 2016 was £10.652m).

## 22.3 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	2015/16	2016/17
	£000	£000
<b>Balance at 1 April</b>	<b>10,798</b>	<b>8,989</b>
<b>Add:</b> Receipts from sales of assets, etc.	8,729	11,094
<b>Total</b>	<b>19,527</b>	<b>20,083</b>
<b>Less:</b>		
Housing Pooled Capital Receipts Paid to Central Government	(2)	(1)
Used to Finance Capital Expenditure	(10,536)	(1,482)
<b>Balance at 31 March</b>	<b>8,989</b>	<b>18,600</b>

## 22.4 Capital Grants and Contributions Unapplied

The Council 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	2015/16	2016/17
	£000	£000
<b>Balance at 1 April 2016</b>	<b>8,333</b>	<b>2,369</b>
Capital Grants and Contributions recognised in the Comprehensive Income and Expenditure Statement in the year	29,206	28,255
Less used to finance Capital Expenditure	(35,170)	(24,183)
<b>Balance at 31 March 2017</b>	<b>2,369</b>	<b>6,440</b>

In addition to the above balance, the Council also held £46.533m of grants and contributions on the balance sheet at 31 March 2017 (£33.665m at 31 March 2016) 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 Council is satisfied that the terms and conditions of the grant have been met.

Further details of capital grants and contributions are provided in note [30](#).

## 22.5 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	2015/16	2016/17
	£000	£000
<b>Balance at 1 April</b>	<b>102,850</b>	<b>119,216</b>
Upward revaluation of assets	38,928	58,193
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	(8,357)	(2,520)
<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>30,571</b>	<b>55,673</b>
Release of Investment Property Balance	0	0
Difference between fair value depreciation and historical cost depreciation	(12,380)	(6,448)
Accumulated gains on assets sold or scrapped	(1,825)	(11,274)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(14,205)</b>	<b>(17,722)</b>
<b>Balance at 31 March</b>	<b>119,216</b>	<b>157,167</b>

## 22.6 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations. These are then charged to the 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 Council as finance for the costs of acquisition, construction and enhancement.

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

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

Movement in Capital Adjustment Account	2015/16	2016/17
	£000	£000
<b>Balance at 1 April</b>	<b>257,273</b>	<b>251,320</b>
Opening balance adjustments	1,053	1,082
<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	(48,490)	(37,402)
Revaluation losses on Property, Plant and Equipment	3,298	516
Amortisation of intangible assets	(551)	(648)
Revenue expenditure funded from capital under statute	(8,900)	(8,987)
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	(10,587)	(16,589)
Adjusting amounts written out of the Revaluation Reserve	4,584	6,158
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	10,536	1,482
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	35,171	24,182
<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)	3,404	3,528
Capital expenditure charged against General Fund	1,960	1,214
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	8	2,633
<b>Other Movement on the CAA in year:</b>		
Landfill Site Provision	418	(923)
Write Down of Long Term Debtors	(124)	(19)
Deferred Credit - Energy from Waste	2,267	2,324
<b>Balance at 31 March</b>	<b>251,320</b>	<b>229,871</b>

## 22.7 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 Council 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.

## 22.8 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 Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service. The

liabilities are updated to recognise and to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements require any benefits earned to be financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible (i.e. enhanced pensions). The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Movement in Pension Reserve	2015/16	2016/17
	£000	£000
<b>Balance at 1 April</b>	<b>(521,345)</b>	<b>(470,664)</b>
Actuarial gains or losses on pensions assets and liabilities	62,865	(125,008)
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	(31,804)	(19,947)
Employer's pensions contributions and direct payments to pensioners payable in the year	18,165	17,644
(Increase) / decrease in Plymouth's share of net deficit in year of Devon County Council Pension Fund	1,455	(817)
<b>Balance at 31 March</b>	<b>(470,664)</b>	<b>(598,792)</b>

## 22.9 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.

## 23. Notes to the Cash flow

### 23.1 Cash flow statement - operating activities

The cash flows for operating activities include the following items:

Analysis of Operating Activities	2015/16	2016/17
	£000	£000
<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>(40,650)</b>	<b>(36,822)</b>
Adjust net surplus or deficit on the provision of services for non-cash movements:		
Depreciation	24,881	31,966
Impairment and downward valuations	27,645	3,838
Amortisation	551	648
Impairment losses on Investments debited to surplus or deficit on the provision of services in year	0	1,573
Adjustments for effective interest rates	(57)	301
Increase/Decrease in Interest Creditors	44	48
(Increase)/Decrease in Creditors	(6,080)	(10,190)
(Increase)/Decrease in Interest and Dividend Debtors	170	(22)
(Increase)/Decrease in Debtors	(140)	(3,103)
(Increase)/Decrease in Inventories	227	(120)
Pension Liability	12,184	14,625
Contributions to/(from) Provisions	(1,140)	(454)
Accumulated Absence	1,412	(366)
Carrying amount of non-current assets sold	10,587	16,589
Movement in Investment Property values	(8)	(2,633)
<b>Total</b>	<b>70,276</b>	<b>52,700</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	(29,207)	(30,787)
Proceeds from the sale of short and long term investments	28,000	8,000
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(8,726)	(12,998)
<b>Total</b>	<b>(9,933)</b>	<b>(35,785)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>19,693</b>	<b>(19,907)</b>

Analysis of interest paid and Received	2015/16	2016/17
	£000	£000
Interest Received	1,727	1,615
Interest Paid	(12,460)	(12,374)
Dividend Received	616	1,074

**23.2 Cash flow statement – investing activities**

Analysis of Investing Activities	2015/16	2016/17
	£000	£000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(53,749)	(76,815)
Purchase of short and long term investments	(5,050)	(12,000)
Other payments for Investing Activities	(2,805)	(6,395)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	8,728	13,000
Other Receipts from Investing Activities	27,610	50,306
<b>Total Cash Flows from Investing Activities</b>	<b>(25,266)</b>	<b>(31,904)</b>

**23.3 Cash flow statement – financing activities**

Analysis of Financing Activities	2015/16	2016/17
	£000	£000
Cash receipts of short and long term borrowing	225,469	360,000
Billing Authorities - Council Tax and NDR adjustments	242	151
Repayment of Short-Term and Long-Term Borrowing	(197,413)	(313,692)
Payments for the reduction of a finance lease liability	(41)	(39)
Payments for the reduction of a PFI liability	(3,354)	(3,367)
<b>Total Cash Flows from Financing Activities</b>	<b>24,903</b>	<b>43,053</b>

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

Analysis of Cash and Cash Equivalents	2015/16	2016/17
	£000	£000
Cash and Bank Balances	1,172	909
Cash Investments - regarded as cash equivalents	23,353	14,465
Tamar Bridge and Torpoint Ferry	2,433	2,826
<b>Total</b>	<b>26,958</b>	<b>18,200</b>

**24. 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 Council receives for providing these services. During 2016/17, the significant agency services that the Council 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 104.

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

## 25. Pooled Budgets – Integrated Fund

The Council has 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	2015/16	2016/17
	£000	£000
<b>PCC contribution to the pooled budget:</b>		
Pooled	168,141	168,159
Aligned	(34,678)	(30,070)
<b>Total</b>	<b>133,463</b>	<b>138,089</b>
<b>Total Combined Integrated Fund (incl. CCG)</b>	<b>482,815</b>	<b>496,434</b>

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

Plymouth Better Care Fund	2015/16	2016/17
	£000	£000
NEW Devon CCG Lead Commissioner	8,687	8,804
Plymouth City Council Lead Commissioner	10,923	10,547
<b>Total Plymouth Better Care Fund</b>	<b>19,610</b>	<b>19,351</b>

## 26. Members' Allowances

The Council made payments totalling £0.934m (2015/16: £0.983m) to its Members in the year made up as follows:

Analysis of Members Allowance	2015/16	2016/17
	£000	£000
Basic Allowance	591	597
Special Responsibility Allowance	390	334
Travel, subsistence and other expenses	2	3
<b>Total</b>	<b>983</b>	<b>934</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.



## 27. Officers' Remuneration

### 27.1 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 2016/17.

Senior Management Post	Financial Year	Salaries, Fees & Allowances	Expenses Allowances	Pension Contributions	Total Remuneration	Notes
<b>Salary over £150,000</b>		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	
Tracey Lee - Chief Executive (Head of Paid Service)	2016/17	169,680	10	20,756	190,446	
	2015/16	160,672	40	20,550	181,262	
<b>Salary over £50,000 but less than £150,000</b>						
Strategic Director for People	2016/17	131,576	10	17,946	149,532	
	2015/16	129,985	21	17,769	147,775	
Strategic Director for Place	2016/17	118,683	10	16,260	134,953	
	2015/16	114,637	21	15,705	130,363	
Strategic Director for Transformation and Change	2016/17	97,650	10	13,360	111,020	Director for Transformation and Change left the authority on 3 February 2017. The post is now being covered by the Assistant Director for Finance and the Assistant Director for HR and Organisational Development.
	2015/16	114,637	0	15,705	130,342	
Director of Public Health	2016/17	75,749	10	10,832	86,591	Director of Public Health left the authority on 31 October 2016.
	2016/17	87,046	0	12,448	99,494	An interim Director of Public Health was appointed from 3 October 2016 and was then appointed as the new Director of Public Health on 4 January 2017. This new post holder was a Consultant in Public Health from 1 April to 2 October 2016.
	2015/16	109,057	21	15,595	124,673	

Senior Management Post	Financial Year	Salaries, Fees & Allowances	Expenses Allowances	Pension Contributions	Total Remuneration	Notes
Assistant Chief Executive	2016/17	87,163	10	11,941	99,114	
	2015/16	86,486	21	11,823	98,330	
Assistant Director and Head of Legal Services (Monitoring Officer)	2016/17	80,389	10	9,836	90,235	
	2015/16	76,424	21	9,739	86,184	
Assistant Director for Integrated Commissioning	2016/17	94,323	10	12,922	107,255	Post name changed from Assistant Director for Strategic Co-Operative Commissioning on 31 October 2016. Additional duties arising from secondment on a part-time basis to NEW Devon CCG from 1 September 2016 to 31 March 2017.
	2015/16	86,300	0	11,823	98,123	
Assistant Director for Economic Development	2016/17	90,063	10	12,339	102,412	
	2015/16	86,300	21	11,823	98,144	
Assistant Director for Education, Participation and Skills	2016/17	100,557	0	13,776	114,333	Post name changed from Assistant Director for Learning and Communities on 31 October 2016.
	2015/16	99,694	0	13,658	113,352	
Assistant Director for Children, Young People and Families	2016/17	92,560	10	12,681	105,251	
	2015/16	91,697	21	12,563	104,281	
Assistant Director for Strategic Planning and Infrastructure	2016/17	90,063	10	12,339	102,412	
	2015/16	86,375	21	11,823	98,219	
Assistant Director for Finance (Section 151 Officer)	2016/17	96,117	0	0	96,117	Appointed to Interim Joint Strategic Director Transformation and Change (Finance) from 25 January 2017. Post holder was appointed on 26 May 2015.
	2015/16	78,405	0	0	78,405	
Assistant Director for HR and Organisational Development	2016/17	89,817	10	12,305	102,132	Appointed to Interim Joint Strategic Director Transformation and Change (Transformation) from 25 January 2017. Post holder was appointed on 2 November 2015.
	2015/16	35,719	0	4,893	40,612	
Assistant Director for Customer Services	2016/17	72,044	10	0	72,054	
	2015/16	71,088	21	0	71,109	

Senior Management Post	Financial Year	Salaries, Fees & Allowances	Expenses Allowances	Pension Contributions	Total Remuneration	Notes
Head of Community Connections	2016/17	53,455	10	7,288	60,753	Post name changed from Head of Housing Services on 31 October 2016.
	2015/16	51,758	21	7,091	58,870	
Head of Transformation Programme	2016/17	31,113	10	0	31,123	Head of Transformation Programme left the authority on 6 September 2016.
	2015/16	66,887	21	0	66,908	
Assistant Director for Street Services	2016/17	61,009	10	8,358	69,377	Post holder commenced on 1 August 2016.
	2015/16	0	0	0	0	

\* Fees and allowances include expenses such as travel, subsistence and fees for election duties.

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:

Interim Post	Financial Year	Total Expenditure Net of VAT	Notes
Lead Accountant	2016/17	10,408	Georgina Ayling started with the Council on 29 February 2016 and left on 13 May 2016.
	2015/16	20,510	
Head of Early Years Schools	2016/17	64,505	Tony Byrne started with the Council on 16 May 2016 and left on 31 October 2016.
	2015/16	0	
Head of Financial Planning & Reporting	2016/17	100,995	Paul Cook started with the Council on 16 May 2016 and left on 27 January 2017.
	2015/16	0	
Strategic Lead for Skills	2016/17	43,071	Geoffrey Draper started with the Council on 30 June 2016 and left on 31 October 2016. This position was funded by the Heart of the South West Devolution Group.
	2015/16	0	
Head of Service - Children in the Community	2016/17	129,151	Piklu Roychoudhry started with the Council on 29 March 2016 and left on 30 December 2016.
	2015/16	0	
Strategic Projects Change Manager	2016/17	62,864	Jerry Clough started with the Council on 5 October 2016.
	2015/16	0	
Head of Health, Safety & Wellbeing	2016/17	23,426	Graham Greaves started with the Council on 1 March 2016 and left on 30 August 2016.
	2015/16	9,282	
Adult Social Care Senior Manager	2016/17	0	Graham Wilkin left the Council on 3 July 2015.
	2015/16	51,100	
Senior Project Manager	2016/17	0	Aaron Osborne-Taylor left the Council on 16 October 2015.
	2015/16	42,920	
Electoral Service Planning & Performance Manager	2016/17	186,263	Amerjit Kang started with the Council on 25 January 2016.
	2015/16	28,179	
Assistant Director for HR and Organisational Development	2016/17	0	Marion Fanthorpe left the Council on 5 November 2015.
	2015/16	78,771	
Assistant Director for Street Services	2016/17	0	Simon Dale left the Council on 24 March 2016.
	2015/16	150,878	

## 27.2 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 or interim posts as disclosed in note [27.1](#).

Remuneration Bandings	2015/16		2016/17	
	Schools	Non schools	Schools	Non schools
£50,000 - £54,999	16	32	17	26
£55,000 - £59,999	18	12	7	18
£60,000 - £64,999	23	12	12	7
£65,000 - £69,999	13	2	9	5
£70,000 - £74,999	7	5	5	2
£75,000 - £79,999	3	1	1	2
£80,000 - £84,999	2	0	3	0
£85,000 - £89,999	0	0	0	0
£90,000 - £94,999	0	0	0	0
£95,000 - £99,999	2	0	1	1
<b>Total</b>	<b>84</b>	<b>64</b>	<b>55</b>	<b>61</b>

## 27.3 Employee exit packages

The Council incurred costs during 2016/17 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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
							<b>£000</b>	<b>£000</b>
£00,000 - £20,000	6	7	164	27	170	34	1,825	317
£20,001 - £40,000	3	2	22	5	25	7	590	190
£40,001 - £60,000	1	4	0	0	1	4	49	206
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	1	2	0	0	1	2	85	173
£100,001 - £120,000	0	2	0	0	0	2	0	227
<b>Total</b>	<b>11</b>	<b>17</b>	<b>186</b>	<b>32</b>	<b>197</b>	<b>49</b>	<b>2,549</b>	<b>1,113</b>

The Council terminated the contracts of a number of employees in 2016/17, including school based staff, incurring liabilities of £1.113m (2015/16 £2.549m). This includes a sum of £0.556m to the pension fund in respect of pension strain payments (for example, of the payments in the £100,001 - £120,000 band, 88% relates to the strain payment). 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.

## 28. External audit costs

The Council 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 Council's external auditors:

Analysis of External Audit costs	2015/16	2016/17
Audit Area:	£000	£000
Fees payable to BDO with regard to external audit services carried out by the appointed auditor	137	136
Fees payable to BDO for the certification of grant claims and returns	17	0
Fees payable in respect of other services provided by the appointed auditor.	0	41
<b>Total</b>	<b>154</b>	<b>177</b>

## 29. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency (EFA), the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2015. The Schools Budget includes elements for a range of educational services provided on a Council wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable are shown in the following table:

Analysis of Dedicated Schools Grant		2015/16			2016/17		
		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			183,090			184,560
B	Academy figure recouped			(71,541)			(92,742)
C	<b>Total DSG after Academy recoupment</b>			<b>111,549</b>			<b>91,818</b>
D	Brought forward from previous year			4,804			4,083
E	Carry-forward agreed in advance			0			0
F	Agreed initial budgeted distribution	16,151	100,202	116,353	7,634	88,267	95,901
G	In year adjustments	0	194	194	(128)	240	112
H	<b>Final budgeted distribution</b>	<b>16,151</b>	<b>100,396</b>	<b>116,547</b>	<b>7,506</b>	<b>88,507</b>	<b>96,013</b>
I	Less actual central expenditure	(9,738)		(9,738)	(9,479)		(9,479)
J	Less actual ISB deployed to schools		(102,866)	(102,866)		(86,178)	(86,178)
K	Plus Local Authority contribution	0	200	200	0	0	0
L	<b>Carry-forward</b>	<b>6,413</b>	<b>(2,270)</b>	<b>4,143</b>	<b>(1,973)</b>	<b>2,329</b>	<b>356</b>

- A. Final DSG figure as announced by the DfE in July 2016 (2015/16 in June 2015).
- B. Figure recouped from the Council in 2016/17 by the DfE for the conversion of maintained schools into Academies.
- C. Total figure after DfE Academy recoupment for 2016/17.
- D. Figure brought forward from 2015/16 as agreed with the DfE.
- E. Amount which the Council decided, after consultation with Schools Forum, to carry forward to 2017/18 rather than distribute in 2016/17. This may be the difference between estimated and final DSG for 2016/17, or a figure (positive or negative) brought forward from 2015/16 which the Council is carrying forward again.
- F. Budgeted distribution of DSG, adjusted for carry forward, as agreed with the Schools Forum.
- G. Changes to the initial distribution, for example, adjustments for exclusions, or final early years block adjustment.
- H. Budgeted distribution of DSG as at the end of the financial year.
- I. Actual amount of central expenditure items in 2016/17.
- 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 2016/17 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 and the actual deployed to schools, plus any local authority contribution. Total – carry forward on central expenditure plus carry forward on ISB plus/minus carry forward to 2017/18 already agreed.

### 30. Grant income

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

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

Credited to Taxation and Non-specific Grant Income and Expenditure	2015/16	2016/17
	£000	£000
Capital Grants and Contributions	(21,146)	(21,394)
Council Tax Income	(90,861)	(94,434)
Non Domestic Rates	(52,040)	(55,854)
Non-ringfenced Government Grants	(50,662)	(42,578)
<b>Total Taxation and Non-specific Grant Income and Expenditure</b>	<b>(214,709)</b>	<b>(214,260)</b>



Grants Credited to Services	2015/16	2016/17
	£000	£000
Benefits Admin Grant	(1,517)	(1,268)
City Deal Grants	(1,974)	(1)
Dedicated Schools Grant and Other Education Grants	(129,705)	(107,544)
Housing Benefit Subsidy	(101,437)	(100,551)
Learning and Skills Council	(3,738)	(3,533)
Local Welfare Provision	(39)	0
New Homes Bonus	(3,977)	(5,531)
Other Revenue Grants	(7,579)	(7,348)
Plymouth Connect	(642)	(31)
Public Health Grant	(13,932)	(16,133)
Troubled Families Grant	(713)	(847)
<b>Total Revenue Grants Received</b>	<b>(265,253)</b>	<b>(242,787)</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the 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:

Revenue Grant Receipts in Advance - Current liabilities	2015/16	2016/17
	£000	£000
Active Neighbourhoods - Reaching Communities	17	27
G4A - Plymouth Vital Sparks	4	0
Grants for the Arts	2	0
City Deal - A deal for young people	2,261	0
South Yard/One Public Estate	45	0
<b>Total Current Revenue Grant Receipts in Advance</b>	<b>2,329</b>	<b>27</b>

Capital Grant Receipts in Advance - Current liabilities	2015/16	2016/17
	£000	£000
Department for Transport	3,763	6,920
Environment Agency	434	285
Sport England	2,040	1,990
Big Lottery	0	134
Historic England	0	325
Growth Deal	830	2,785
British Land	100	0
Home and Communities Agency	32	0
Department of Energy and Climate Change	3,069	0
Department for Communities and Local Government	0	3,174
Devon County Council	0	7
S278 Agreements	199	199
S38 Agreements	12	0
<b>Total Current Capital Grant Receipts in Advance</b>	<b>10,479</b>	<b>15,819</b>

Capital Grant Receipts in Advance - Long term liabilities	2015/16	2016/17
	£000	£000
Natural England	79	367
Heritage Lottery Fund	795	1,623
Arts Council	0	80
SI06	16,209	16,837
Historic England	72	0
Growth Deal	6,240	11,807
<b>Total Long Term Capital Grant Receipts in Advance</b>	<b>23,395</b>	<b>30,714</b>

### 31. 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	2015/16			2016/17		
		Receipts	Payments	Outstanding Balances / Commitments	Receipts	Payments	Outstanding Balances / Commitments
<b>Subsidiaries, Associates and Joint Arrangements</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Subsidiaries</b>							
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	595	5	0	550	(26)
<b>Joint Arrangements</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.	(1,185)	4,396	109	(224)	3,519	32
DELT Shared Services Ltd	DELT provide ICT and systems to partners. DELT is jointly and equally controlled and owned by Plymouth City Council and NEW Devon CCG.	(540)	7,703	5	(272)	9,966	(528)
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.	(50)	47	0	(85)	15	0
<b>Totals</b>		<b>(1,782)</b>	<b>12,741</b>	<b>59</b>	<b>(588)</b>	<b>14,050</b>	<b>(582)</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 [30](#).

## 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 76 declarations of Related Party Transactions for 2016/17, a response rate of 96 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 Bureau 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.

### ▪ 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. 2016/17 was the third 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. 2016/17 was the second 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 2016/17 was £0.313m (2015/16 £0.335m).

- **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 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](#).

### 32. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Financing Requirement	2015/16	2016/17
	£000	£000
<b>Opening Capital Financing Requirement 1 April</b>	<b>262,872</b>	<b>306,016</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	50,455	43,522
Plymouth Energy from Waste Facility (EfW):		
- initial recognition of asset (Plymouth share)	92,676	0
- less deferred credit re third party income to EfW	(58,036)	0
Investment Properties	158	30,898
Intangible Assets	471	1,342
Heritage Assets	54	53
Revenue Expenditure Funded from Capital under Statute	8,857	8,714
Other Capital Expenditure	2,813	6,483
<b>Total</b>	<b>97,448</b>	<b>91,012</b>
<b>Sources of Finance</b>		
Capital Receipts	(10,536)	(1,216)
less: Long Term Debtors written out in year	124	21
Grants and Contributions applied in year	(38,724)	(37,591)
Revenue and Other Funds	(1,764)	(1,177)
Minimum Revenue Provision	(3,404)	(3,151)
<b>Total</b>	<b>(54,304)</b>	<b>(43,114)</b>
<b>Closing Capital Financing Requirement 31 March</b>	<b>306,016</b>	<b>353,914</b>
<b>Explanation of Movement in Year</b>		
Increase in underlying need to borrow	11,827	51,269
Initial recognition of EfW PFI liability	34,640	0
Reduction in underlying need to borrow resulting from other changes in Capital financing Requirement	(3,323)	(3,371)
Assets acquired under Finance Leases	0	0
<b>Increase/Decrease in Capital Financing Requirement</b>	<b>43,144</b>	<b>47,898</b>

### 33. Leases

#### 33.1 Council 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.

During 2016/17 depreciation of £0.006m (2015/16: £0.168m) was charged in relation to assets held under finance leases.

The Council 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 Council together with the finance costs that will be payable by the Council 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 16	31 March 17
	£000	£000
Current	39	39
Non-Current	1,643	1,601
Finance costs payable in future years	3,268	3,136
<b>Minimum lease payments</b>	<b>4,950</b>	<b>4,776</b>

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

Analysis of Leasing Obligations	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 16	31 March 17	31 March 16	31 March 17
	£000	£000	£000	£000
Not later than one year	171	168	39	39
Later than one year and not later than five years	674	671	178	189
Later than five years	4,105	3,937	1,465	1,412
<b>Total</b>	<b>4,950</b>	<b>4,776</b>	<b>1,682</b>	<b>1,640</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.

#### 33.2 Council 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 16	31 March 17
	£000	£000
Not later than one year	863	853
Later than one year and not later than five years	2,666	2,687
Later than five years	5,139	5,271
<b>Total</b>	<b>8,668</b>	<b>8,811</b>

The minimum lease payment charged in the Comprehensive Income and Expenditure Statement during the year in relation to these assets was £0.902m (2015/16: £0.745m).

### 33.3 Council 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 16	31 March 17
	£000	£000
Not later than one year	5,103	7,324
Later than one year and not later than five years	17,629	24,107
Later than five years	288,717	326,698
<b>Total</b>	<b>311,449</b>	<b>358,129</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.

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

### 34.1 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 £5.388m was made in 2016/17 (2015/16: £5.356m). Payments remaining to be made under the PFI contract at 31 March 2017, 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 2016/17	2,060	902	2,426	5,388
Payable in 2017/18	2,155	969	2,347	5,471
Payable within two to five years	9,831	4,150	8,529	22,510
Payable within six to ten years	14,209	7,156	8,299	29,664
Payable within eleven to fifteen years	16,272	10,596	4,703	31,571
Payable within sixteen to twenty years	4,941	4,002	2,696	11,639
<b>Total</b>	<b>47,408</b>	<b>26,873</b>	<b>26,574</b>	<b>100,855</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	2015/16	2016/17
	£000	£000
Balance outstanding 1 April	28,614	27,775
Payments during the year	(839)	(902)
<b>Balance Outstanding 31 March</b>	<b>27,775</b>	<b>26,873</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.

### 34.2 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 2016/17	3,411	141	3,701	7,253
Payable in 2017/18	3,541	177	3,686	7,404
Payable within two to five years	15,691	607	14,563	30,861
Payable within six to ten years	21,684	3,280	17,355	42,319
Payable within eleven to fifteen years	26,553	5,905	15,257	47,715
Payable within sixteen to twenty years	30,196	12,968	10,250	53,414
Payable within twenty one to twenty five years	17,411	11,308	1,952	30,671
<b>Total</b>	<b>115,076</b>	<b>34,245</b>	<b>63,063</b>	<b>212,384</b>

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

Movement in PFI Liability	2015/16 Plymouth Share	2015/16 Deferred Income	2016/17 Plymouth Share	2016/17 Deferred Income
	£000	£000	£000	£000
Balance outstanding 1 April	0	0	34,387	55,769
Additions in year	34,640	58,036	0	0
Payments during the year	(253)	(2,267)	(141)	(2,324)
<b>Balance Outstanding 31 March</b>	<b>34,387</b>	<b>55,769</b>	<b>34,246</b>	<b>53,445</b>

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

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

Income and expenditure, assets and liabilities are recorded in each of Plymouth City Council, Devon County Council and Torbay Council's Statements of Accounts respectively in the ratio 48:35:17. Plymouth City Council's share of the total construction costs of £195.324m is carried at depreciated replacement cost in its balance sheet as detailed in note [15](#) (Property, Plant and Equipment) together with a corresponding liability.

### 35. Pensions

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

#### 35.1 Pension Schemes Accounted for as Defined Contribution Schemes

##### Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension scheme administered by Capita Teachers Pensions on behalf of the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the cost by making contributions based on a percentage of member's pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2016/17, Plymouth City Council paid £5.022m to Teachers' Pensions in respect of teachers' retirement benefits, representing 15.92 per cent of pensionable pay. The figures for 2015/16 were £6.036m and 14.90 per cent. There were no contributions remaining payable at the year-end. In 2016/17 the minimum member contribution was 7.4 per cent of salary, the maximum was 11.7 per cent.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note [35.2](#).

## **35.2 Defined Benefit Pension Schemes**

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

Plymouth City Council and Tamar Bridge and Torpoint Ferry Joint Committee participate in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme based on final pensionable salary. The Plymouth City Council scheme is administered by Devon County Council, however, the Joint Committee Scheme is administered by Cornwall Council and so separate notes have been included to represent Plymouth City Council's 50 per cent interest.

### **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	2015/16	2016/17
	£000	£000
<b>Cost of Services</b>		
Service cost comprising:		
Current Service Cost	23,399	19,474
Past Service Cost	264	893
(Gain)/loss from settlements	(8,621)	(17,651)
<b>Financing and Investment Income and Expenditure</b>		
Net interest expense	15,970	16,103
<b>Other Operating Expenditure</b>		
Administration expenses	236	356
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>31,248</b>	<b>19,175</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)	16,111	(84,079)
Actuarial gains and losses arising on changes in demographic assumptions	0	9,318
Actuarial gains and losses arising on changes in financial assumptions	(76,993)	247,278
Experience gain/(loss) on defined benefit obligation	(808)	(41,335)
Other (if applicable)	0	(6,581)
<b>Total Post-employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(30,442)</b>	<b>143,776</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	(31,248)	(19,175)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contribution payable to scheme	17,859	17,295
Retirement benefits payable to pensioners	3,460	3,307
Adjustment re: net increase/(decrease) pre LGR pension Liability	1,455	(817)

### 35.3 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)	2015/16	2016/17
	£000	£000
<b>Opening balance at 1st April</b>	<b>(1,083,069)</b>	<b>(1,017,719)</b>
Current service cost	(23,399)	(19,474)
Interest cost	(34,649)	(36,758)
Change in financial assumptions	76,993	(247,278)
Change in demographic assumptions	0	6,581
Experience loss/(gain) on defined benefit obligation	808	41,335
Liabilities assumed / (extinguished) on settlements	20,493	21,813
Estimated benefits paid net of transfers in	28,183	29,501
Past service costs, including curtailments	(264)	(893)
Contributions by scheme participants	(4,991)	(4,816)
Unfunded pension payments	2,176	2,067
<b>Closing present value of liabilities</b>	<b>(1,017,719)</b>	<b>(1,225,641)</b>

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2015/16	2016/17
	£000	£000
<b>Opening fair value of scheme assets</b>	<b>582,125</b>	<b>565,077</b>
Interest income	18,679	20,655
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	(16,111)	84,078
Other actuarial gains/(losses)	0	(9,318)
Administration Expenses	(236)	(356)
Contributions from employer	17,859	17,295
Contributions from employees into the scheme	4,991	4,816
Benefits paid	(30,359)	(31,568)
Settlement prices received / (paid)	(11,871)	(4,162)
<b>Closing present value of Assets</b>	<b>565,077</b>	<b>646,517</b>
<b>Closing balance at 31 March</b>	<b>(452,642)</b>	<b>(579,124)</b>

### 35.4 Scheme history (PCC)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £579.124m is shown as a negative balance and therefore has an impact on the net worth of the Council as recorded in the Balance Sheet. However the negative balance that arises measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2018 is £17.844m.

### 35.5 Basis for Estimating Assets and Liabilities (PCC)

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, gender, salary levels, investment returns, interest rates, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with the estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2016.

Basis for Estimating Assets and Liabilities	2015/16	2016/17
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.9	23.4
Women	26.2	25.5
Longevity at 65 for future pensioners:		
Men	25.2	25.6
Women	28.6	27.8
Rate of inflation (CPI)	2.4%	2.7%
Rate of increase in salaries	4.2%	4.2%
Rate of increase in pensions	2.4%	2.7%
Rate for discounting scheme liabilities	3.7%	2.7%

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)	(1,180,376)	1,225,641	1,272,699
Rate of increase in salaries (increase or decrease by 1%)	(1,223,239)	1,225,641	1,228,063
Rate of increase in pensions (increase or decrease by 1%)	(1,205,282)	1,225,641	1,246,386
Rate for discounting scheme liabilities (increase or decrease by 1%)	(1,248,831)	1,225,641	1,202,902

### 35.6 Total assets (PCC)

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Categories by proportion of the total assets held	31 Mar 2016	31 Mar 2017
	%	%
Equities	71	74
Gilts	3	3
Property	15	13
Cash	2	3
Other investments	9	7
<b>Total</b>	<b>100</b>	<b>100</b>

**35.7 Pension assets and liabilities recognised in the balance sheet**

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

<b>Pensions Assets and Liabilities Recognised in the Balance Sheet</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Present value of the defined benefit	980,075	1,183,406
Fair value of plan assets	(565,077)	(646,517)
<b>Net liability</b>	<b>414,998</b>	<b>536,889</b>
Other movements in the liability	37,644	42,235
<b>Net liability arising from defined benefit obligation</b>	<b>452,642</b>	<b>579,124</b>

**Pension information for Tamar Bridge and Torpoint Ferry Joint Committee (TB&TFJC)****35.8 Transactions in the Comprehensive Income and Expenditure Statement and Movement in Reserve Statement (TB and TFJC)**

<b>Comprehensive Income &amp; Expenditure Statement</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost of Services:</b>		
Service cost	430	470
<b>Financing and Investment Income &amp; Expenditure:</b>		
Net interest expense	126	122
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>556</b>	<b>592</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)	(52)	43
Actuarial gains and losses arising on changes in demographic assumptions	0	(44)
Actuarial gains and losses arising on changes in financial assumptions	(1,040)	1,619
Experience gain/(loss) on defined benefit obligation	(83)	(1,031)
<b>Total Post-employment Benefits charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(619)</b>	<b>1,179</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	(556)	(592)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
Employers' contribution payable to scheme	306	349

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

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2015/16	2016/17
	<b>£000</b>	<b>£000</b>
<b>Opening balance at 1st April</b>	<b>(11,317)</b>	<b>(10,789)</b>
Current service cost	(430)	(384)
Past Service Cost	0	(86)
Interest cost	(366)	(382)
Contributions from scheme participants	(92)	(94)
Re-measurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	0	44
Actuarial gains/losses arising from changes in financial assumptions	1,040	(1,619)
Experience loss/(gain) on defined benefit obligation	83	1,031
Benefits paid	293	288
<b>Closing present value of liabilities</b>	<b>(10,789)</b>	<b>(11,991)</b>

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2015/16	2016/17
	<b>£000</b>	<b>£000</b>
<b>Opening fair value of scheme assets</b>	<b>7,438</b>	<b>7,835</b>
Interest income	240	260
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	52	(43)
Contributions from employer	306	349
Contributions from employees into the scheme	92	93
Benefits paid	(293)	(289)
<b>Closing fair value of scheme assets</b>	<b>7,835</b>	<b>8,205</b>
<b>Closing balance at 31 March</b>	<b>(2,954)</b>	<b>(3,786)</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 £3.786m has an impact on the net worth of the Council as recorded in the Balance Sheet. However the negative balance that arises measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

The total contributions expected to be made to the Local Government Pension Scheme via the Joint Committee in the year to 31 March 2018 is £0.334m.

**35.10 Scheme History (TB and 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, with the



estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2016.

### **36. Contingent Assets and Liabilities**

#### **36.1 Contingent Assets**

The Council has the following contingent assets to report:

##### **Overpaid Landfill Tax**

A claim was submitted in March 2011 to HMRC for the reclaim of overpaid Landfill Tax covering the period between January 2007 and March 2008 at Chelson Meadow, where it has been established that Landfill had been used for engineering purposes and is therefore exempt from landfill tax. HMRC issued a brief on the 18 May 2012 which has clarified their position and potentially resolves any disputes outstanding as they are closing the loophole from 2009 onwards, leaving no objections to claims for 2006 to 2009. To date agents for the Council have been unsuccessful in obtaining any final resolution from HMRC, repayments and the request for a formal departmental review have been refused and the agents are looking to lodge an appeal. Landfill Tax – not aware of the financial risk to PCC but trying to establish.

##### **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.

#### **36.2 Contingent liabilities**

The Council has the following contingent liabilities to report.

##### **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.

##### **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. The level of indemnity at last valuation was £5.6m.

### **Livewell Southwest (formally Plymouth Community Healthcare) CIC**

On 1 April 2015 the Council transferred its adult social care service to Livewell Southwest CIC (formally 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 Livewell Southwest 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 Livewell Southwest.

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

A new service agreement was put in place from 1 April 2016, and the existing pension arrangement regarding the continued use of a guarantee was reviewed and agreed. It should be noted the last actuary estimation of possible PCC exposure was between £1.5m-£2m.

### **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.

PCC drew down £6,791,988 of the available RIF funding by March 2012 and repayments were scheduled to start from 1 September 2013 and then six monthly thereafter.

The RIF agreement states that repayment should be via Tariff, Community Infrastructure Levy (CIL), S.106 or other capital funds. However, it was predicated primarily on the use of tariff monies, with the RIF agreement stating that 75% of any tariff received would be used as repayment until the outstanding loan reduced to less than £3.5 million, at which point the contribution would reduce on a sliding scale. (50% of transport tariff until £1.5 million is outstanding and then 25% until the loan is fully paid off).

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.

### **Cooperage Building, Royal William Yard – Ocean Studios CIC**

The Cooperage Building at the Royal William Yard (RWY) has been redeveloped for use as community art studios, gallery space and workshops. The development was funded by European

Regional Development Fund (ERDF), Historic England (HE), South West Local Enterprise Partnership (LEP) and Plymouth City Council (PCC).

In April 2017 Real Ideas Organisation (RIO) took over Ocean Studios. RIO has a new lease agreement with Urban Splash (US) and this includes a contingent liability for PCC for the sum of £200k to (US) in the event that RIO is unable to continue the operation of Ocean Studios within the next 10 years.

**COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2017**

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.

2015/16				Note	2016/17		
Business Rates	Council Tax	Total			Business Rates	Council Tax	Total
£000	£000	£000	Income		£000	£000	£000
0	(109,418)	(109,418)	Council tax receivable	<u>1</u>	0	(113,519)	(113,519)
(88,416)	0	(88,416)	Business rates receivable	<u>2</u>	(90,835)	0	(90,835)
<b>(88,416)</b>	<b>(109,418)</b>	<b>(197,834)</b>			<b>(90,835)</b>	<b>(113,519)</b>	<b>(204,354)</b>
			<b>Expenditure</b>				
			<b>Apportionment of previous year's surplus/(deficit)</b>				
(539)	0	(539)	Central Government		84	0	84
(528)	661	133	Plymouth City Council		83	109	192
0	53	53	Devon and Cornwall Police and Crime Commissioner		0	14	14
(11)	25	14	Devon and Somerset Fire and Rescue Service		2	6	8
<b>(1,078)</b>	<b>739</b>	<b>(339)</b>			<b>169</b>	<b>129</b>	<b>298</b>
			<b>Precepts, demands and shares</b>	<u>3.1</u> & <u>3.2</u>			
45,390	0	45,390	Central Government		47,007	0	47,007
44,483	90,407	134,890	Plymouth City Council		46,067	94,082	140,149
0	11,602	11,602	Devon and Cornwall Police and Crime Commissioner		0	12,072	12,072
908	5,369	6,277	Devon and Somerset Fire and Rescue Service		940	5,586	6,526
<b>90,781</b>	<b>107,378</b>	<b>198,159</b>			<b>94,014</b>	<b>111,740</b>	<b>205,754</b>
			<b>Charges to the Collection Fund</b>				
102	0	102	Renewable Energy Disregard		236	0	236
711	966	1,677	Write offs of uncollectable amounts		655	721	1,376
(229)	539	310	Increase/(Decrease) in Bad Debt Provision	<u>4.1</u> & <u>4.2</u>	(109)	642	533
777	0	777	Increase/(Decrease) in Provision for Appeals	<u>5</u>	45	0	45
312	0	312	Cost of collection allowance		315	0	315
34	0	34	Interest on refunds		1	0	1
<b>1,707</b>	<b>1,505</b>	<b>3,212</b>			<b>1,143</b>	<b>1,363</b>	<b>2,506</b>
<b>2,994</b>	<b>204</b>	<b>3,198</b>	<b>(Surplus)/Deficit for the year</b>		<b>4,491</b>	<b>(287)</b>	<b>4,204</b>
			<b>Collection Fund Balance</b>				
(910)	(1,006)	(1,916)	Balance as at 1st April		2,084	(802)	1,282
2,994	204	3,198	(Surplus)/Deficit for the year (as above)		4,491	(287)	4,204
<b>2,084</b>	<b>(802)</b>	<b>1,282</b>	<b>Balance as at 31st March</b>		<b>6,575</b>	<b>(1,089)</b>	<b>5,486</b>
			Allocated to:	<u>6</u>			
1,042	0	1,042	Central Government		3,288	0	3,288
1,021	(679)	342	Plymouth City Council		3,221	(923)	2,298
0	(87)	(87)	Devon and Cornwall Police and Crime Commissioner		0	(116)	(116)
21	(40)	(19)	Devon and Somerset Fire and Rescue Service		66	(54)	12
<b>2,084</b>	<b>(806)</b>	<b>1,278</b>	<b>Total allocated</b>		<b>6,575</b>	<b>(1,093)</b>	<b>5,482</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: 69,846 in 2016/17 (68,460 in 2015/16).

The basic amount of Council Tax for a Band D property (£1,599.81 for 2016/17) 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	44,083	27,820	18,538	98.5%	18,260
B	30,112	24,085	18,733	98.5%	18,452
C	21,084	18,602	16,535	98.5%	16,287
D	8,651	7,935	7,935	98.5%	7,816
E	4,529	4,275	5,225	98.5%	5,147
F	1,644	1,534	2,216	98.5%	2,183
G	533	503	838	98.5%	825
H	27	17	35	98.5%	34
	<b>110,663</b>	<b>84,771</b>	<b>70,055</b>		<b>69,004</b>
Adjustment for MOD Properties					842
<b>Tax Base Totals</b>			<b>70,055</b>		<b>69,846</b>

The Council Tax Base was calculated at the time the 2016/17 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 £111.740m (69,846 x £1,599.81). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £113.519m (2015/16: £109.418m) made up of £113.576m from Council Tax payers with a reduction of £0.057m 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 49.7p in 2016/17 (49.3p in 2015/16).

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 2016/17 were estimated before the start of the financial year as £47.092m to Central Government, £0.942m to DSFRA and £46.732m to Plymouth City Council. These sums have been paid during 2016/17 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 2016/17 Plymouth had a baseline amount of £53.387m and received a top-up of £9.240 which was credited to the General Fund and included in note [14](#).

In addition to the top-up and tariffs, a safety net figure is calculated by Central Government. This mechanism is designed to protect local authorities from large fluctuation in their business rates income. The safety net threshold for Plymouth is £49.383m. As our adjusted retained income is above this level no safety net payment was due to Plymouth for 2016/17.

Under the rates retention scheme local authorities became liable for their share of the liability arising from the in-year and backdated impact of successful business rate appeals. Based on the analyses of previous year trends and the list of outstanding appeals provided by the VOA as at 31 March 2017 the Council included a provision of £2.162m.

For 2016/17, the total non-domestic rateable value at the end of the year was £229.882m (£227.821m in 2015/16).

The total income from ratepayers in 2016/17 was £90.835m (£88.416m in 2015/16).

This sum included £0.779m 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 2016/17, £1.363m (2015/16: £1.505m) was contributed to the Account and £0.721m (2015/16: £0.966m) of irrecoverable debt was

written off. The bad debts provision for this year is £3.760m (2015/16: £3.118m) and the movement in the provision is shown below:

Movement in Council Tax Allowance for Non-Collectability of Debt Account	2015/16	2016/17
	£000	£000
<b>Balance brought forward 1 April</b>	<b>2,579</b>	<b>3,118</b>
Write Offs	(966)	(721)
Contributions in year	1,505	1,363
Net change in provision	539	642
<b>Balance at 31 March</b>	<b>3,118</b>	<b>3,760</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 £0.582m leaving a balance of £3.178m to cover Plymouth City Council's proportion of Council Tax arrears. The Police and Fire elements are shown in the Council's Balance Sheet as a debtor.

## 4.2 Non-Domestic Rates

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

Movement in NDR Allowance for Non-Collectability of Debt Account	2015/16	2016/17
	£000	£000
<b>Balance brought forward 1 April</b>	<b>970</b>	<b>741</b>
Write Offs	(711)	(655)
Contributions in year	482	546
Net change in provision	(229)	(109)
<b>Balance at 31 March</b>	<b>741</b>	<b>632</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.

Movement in NDR Allowance for Non-Collectability of Debt Account (Plymouth share)	2015/16	2016/17
	£000	£000
<b>Balance brought forward 1 April</b>	<b>475</b>	<b>363</b>
Write Offs	(348)	(322)
Contributions to provision	236	268
Net change in provision	(112)	(54)
<b>Closing balance at 31 March</b>	<b>363</b>	<b>309</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 2017.

Movement in NDR Allowance for Appeals	2015/16	2016/17
	£000	£000
<b>Balance brought forward 1 April</b>	<b>1,340</b>	<b>2,117</b>
Provision used in year	(805)	(2,117)
Contributions to provision	1,582	2,162
Net change in provision	777	45
<b>Closing balance at 31 March</b>	<b>2,117</b>	<b>2,162</b>

The Council's proportionate share of the provision for appeals for this year is £1.059m (2015/16: £1.037m), the proportionate share of the preceptors are shown on the Balance Sheet as Debtors.

Movement in NDR Allowance for Appeals (Plymouth share)	2015/16	2016/17
	£000	£000
<b>Balance brought forward 1 April</b>	<b>656</b>	<b>1,037</b>
Provision used in year	(394)	(1,037)
Contributions to provision in relation to prior years	775	1,059
Net change in provision	381	22
<b>Closing balance at 31 March</b>	<b>1,037</b>	<b>1,059</b>

## 6. Distribution of Collection Fund Surpluses and Deficits

The net accumulated deficit on the Collection Fund at 31 March 2017 amounts to £5.481m (2015/16: 1.278m deficit) with £1.089m surplus relating to Council Tax collection, £0.004m surplus relating to Community Charge and £6.575m 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 2017/18 and 2018/19 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 2018/19.

The £1.089m surplus is apportioned as follows: Plymouth City Council £0.919m, Devon and Cornwall Police and Crime Commissioner £0.116m and Devon and Somerset Fire and Rescue Authority £0.054m.

The deficit 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 2018/19.



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Please ask for: Andrew Hardingham

4 September 2017

Dear Sirs

**Financial statements of Plymouth City Council for the year ended 31 March 2017**

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 2017 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 Interim Joint Strategic Director for Transformation and Change and 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 2017 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 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

Interim Joint Strategic Director for Transformation and Change/Section 151 Officer

## Changes between Draft and Published Final Accounts 2016/17

Note (as per Final Accounts)	Description of Adjustment
Narrative Statement	<p>Missing “<i>Outturn Position</i>” table added.</p> <p>Progress during 2016/17 - Updated the road infrastructure figure from <i>£5m road surfacing &amp; £20m road infrastructure</i> to <i>£13m road infrastructure</i>.</p> <p>Treasury Management – Net borrowing figure changed from <i>£265m</i> to <i>£160m</i> and the amount of loans changed from <i>£287m</i> to <i>£289m</i>.</p> <p>Small grammatical / sentence changes and rounding errors.</p> <p>Concluding Remarks – Quoting overspend and balanced position. Paragraph reworded to remove overspend.</p> <p>All amounts in the tables have been changed from millions to thousands to fall in line with the notes to SoA.</p>
CiES	Taxation and Non-Specific Grant Income – Journal adjustment made to income rather than expenditure. No change in net figure.
MiRS	Information paragraph above the table updated.
Balance Sheet	No changes.
Cashflow Statement	<p>Adjustment to Net Surplus or (Deficit) on the Provision of the Services for Non Cash Movement - rounding error.</p> <p>Brackets removed around “<i>Surplus</i>” and put around “<i>Deficit</i>”.</p>
Note I	<p>I.2 – Added a point about <i>£500</i> accruals.</p> <p>I.15 – Sentence “<i>A review is completed at 31 March to ensure that there are no material movements in the period 1 January to 31 March.</i>” added.</p> <p>I.18 – “<i>Measurement</i>” section wording changed to read “<i>all other assets – current value in their existing use</i>”.</p> <p>I.18 – “<i>Depreciation</i>” indentation removed from “<i>Infrastructure</i>” and “<i>Vehicles and Plant</i>” as they don’t fall under “<i>Operational Buildings</i>”.</p> <p>I.19 (Draft) – Note removed in reference to “<i>Inventories and Long Term Contracts</i>”</p> <p>I.19 (Final) – Information included in reference to South West Devon Energy from Waste PFI.</p>

## Appendix C

	I.20 (Final) – Additional wording under the “ <i>Provision</i> ” heading.
Note 2	Additional wording added to “ <i>Tamar Bridge valuation</i> ”.
Note 3	Additional wording “ <i>However, a detailed review of the standards shown above is yet to be undertaken.</i> ”
Note 4	Link added to the policies note (I)
Note 5	Additional information added to note in reference to Business Rates Appeals.
Note 6	No changes.
Note 7	Additional classifications added to the “ <i>(Surplus)/Deficit on provision of services</i> ” section of the table. Totals have not changed.
Note 8	Breakdown between “ <i>Net change for the Pensions Adjustments</i> ” and “ <i>Other Differences</i> ” columns added. Totals have not changed.
Note 9	Changes to the “ <i>Other service expenses</i> ” and “ <i>Fees, charge and other service income</i> ” to reflect the changes made to the CiES.
Note 10	Incorrect totals on 2015/16 figures in table updated.
Note 11	New note added to show a breakdown of the “ <i>Other Operating Expenditure</i> ” of CiES.
Note 12	No changes.
Note 13	No changes.
Note 14	No changes.
Note 15	<p>15.1 – Changes due to reclassification of an asset.</p> <p>15.1 – Changes to treatment of depreciation in relation to impairment of assets.</p> <p>15.1 – Zero rows removed from table.</p> <p>15.4 – Change in “<i>Valued at current values as at:</i>” classification.</p>

## Appendix C

Note 16	No changes.
Note 17	<p>17.1 – Update to wording to include Friary Retail Park.</p> <p>17.1 – Change in the “<i>Analysis of movement in Investment Properties</i>” table. Total not changed.</p> <p>17.3 – “<i>Valuation Techniques</i>” section removed.</p> <p>17.4 – Zero rows removed from table.</p>
Note 18	<p>18.1 – Additional narrative added to the explanation in reference to LOBOs.</p> <p>18.1 – Additional narrative added about 31 March 16 restatement of the table.</p> <p>18.3 – “<i>Money market funds</i>” row in the “<i>Comparison of financial assets</i>” table reclassified as “<i>Assets for which fair value is not disclosed</i>”.</p> <p>18.3 – Paragraph removed from under the “<i>Comparison of financial assets</i>” table.</p> <p>18.4 – “<i>Restated</i>” added to the 31 March 16 column on the “<i>Loans outstanding</i>” table.</p>
Note 19	19.3 – Update to Collection Fund Bad Debt Provision.
Note 20	20.1 – Figures in table updated.
Note 21	<p>Additional wording added to the opening paragraph.</p> <p>Reclassification of “<i>Provision made in year</i>” and “<i>Payments used in year</i>”.</p>
Note 22	<p>22.3 – Correction to rounding errors.</p> <p>22.4 – Change in classification of Capital Expenditure to Capital Grants and Contributions in the table.</p> <p>22.5 – Correction to rounding errors.</p> <p>22.8 – Correction to rounding errors.</p> <p>22.10 – Removed, not material.</p>
Note 23	<p>23.1 – Removal of “<i>Material</i>” from the “<i>Material impairment losses on Investments.....</i>”.</p> <p>23.1 – Removed zero rows.</p> <p>23.2 – Removed zero rows.</p>

## Appendix C

	23.4 – Correction to rounding errors.
Note 24	No change.
Note 25	No change.
Note 26	No change.
Note 27	<p>27.1 – Change in headings and reclassify values.</p> <p>27.1 – PSA &amp; PI ID amounts added.</p> <p>27.1 – Footnote to table updated.</p> <p>27.1 – All interim staff costing the Council over £500 a day added.</p> <p>27.2 – Change in classification due to the addition of PSA &amp; PI ID's.</p>
Note 28	No change.
Note 29	No change.
Note 30	No change.
Note 31	Update the “ <i>Central Government</i> ” section to refer to the correct note.
Note 32	No change.
Note 33	No change.
Note 34	No change.
Note 35	<p>35.1 – Additional wording added to the first paragraph under “<i>Teachers’ Pension Scheme</i>”.</p> <p>35.2 – “<i>Participation in pension schemes</i>” removed.</p> <p>35.2 – Additional wording added to “<i>Local Government Pension Scheme (LGPS)</i>”.</p>
Note 36	No change.



## Appendix C

Collection Fund	No change.
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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 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.

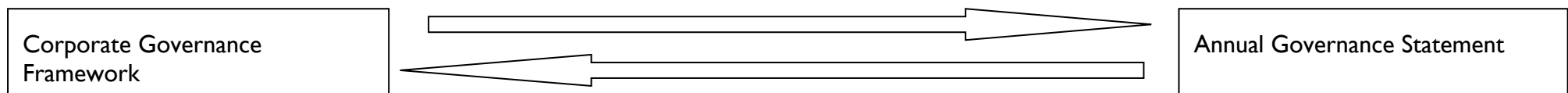
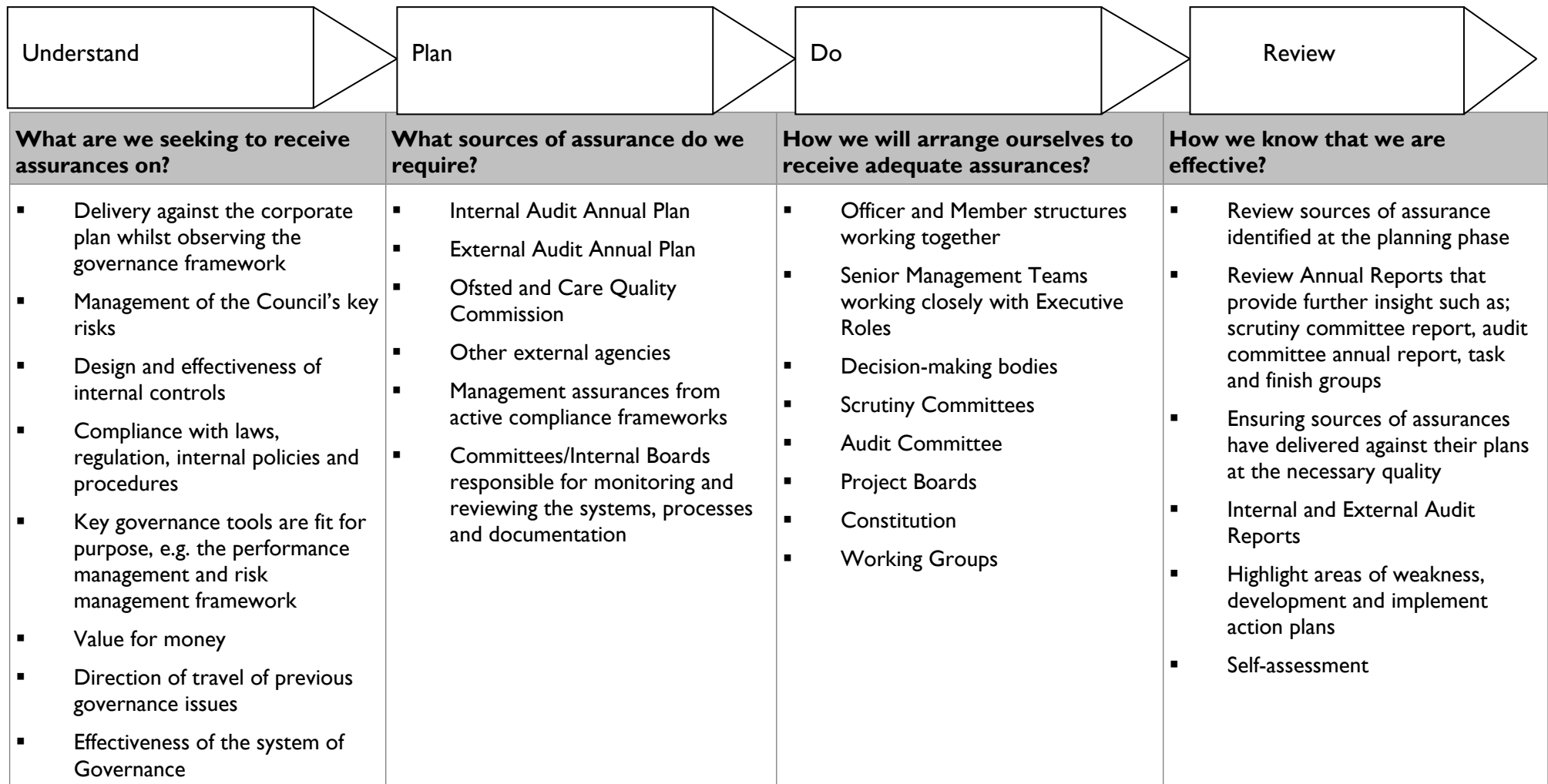
## 2. The Purpose of the Governance Framework

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 2017 and up to the date of the approval of the Annual Report and Statement of Accounts.

### 3. Assurance Cycle



#### 4. The Governance Framework

The Council's Corporate Governance Framework is consistent with the principles of the CIPFA/SOLACE 2016 Framework Delivering Good Governance in Local Government. Included within this framework are seven core principles of governance:

<b>Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law:-</b>	<b>Examples of assurances received:-</b>
<p>Local government organisations are accountable not only for how much they spend, but also how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values to respect the rule of law. Behaviours and actions that demonstrate good governance in practice:-</p> <p><b>Behaving with integrity</b></p> <ul style="list-style-type: none"> <li>Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.</li> <li>Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).</li> <li>Leading by example and using these standard operating principles or values as a framework for decision making and other actions.</li> <li>Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.</li> </ul> <p><b>Demonstrating strong commitment to ethical values</b></p> <ul style="list-style-type: none"> <li>Seeking to establish, monitor and maintain the organisation's ethical standards and performance.</li> <li>Underpinning personal behaviours with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.</li> <li>Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</li> </ul>	<p><b>Behaving with integrity</b></p> <ul style="list-style-type: none"> <li>The Council's evolving values of Fairness, Democracy, Responsibility and Partnership are defined and endorsed in the Corporate Plan and from the basis for policy making and performance management, both for the Council and organisations it commissions or contracts with.</li> <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 2003.</li> <li>The Constitution includes a statement on the roles of the Executive, Code of Conduct and Scheme of Delegation in place.</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>Policies, procedures and guides provided on the staffroom intranet page, and are subject to regular or periodic review, depending on legislative or policy framework changes.</li> </ul> <p><b>Demonstrating strong commitment to ethical values</b></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> <li>The Council recognises that good governance is underpinned by shared values demonstrated in the behaviour of its Members, staff and partners.</li> </ul>

<ul style="list-style-type: none"> <li>Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.</li> </ul> <p><b>Respecting the rule of law</b></p> <ul style="list-style-type: none"> <li>Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</li> <li>Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.</li> <li>Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.</li> <li>Dealing with breaches of legal and regulatory provisions effectively.</li> <li>Ensuring corruption and misuse of power are dealt with effectively.</li> </ul>	<ul style="list-style-type: none"> <li>Equalities Policy in place, informed by equalities and diversity monitoring data which is updated annually (last updated January 2017).</li> <li>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>The Members Code of Conduct and Protocol on Member/Officer Relations forms part of the Constitution.</li> </ul> <p><b>Respecting the rule of law</b></p> <ul style="list-style-type: none"> <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 programmes were in operation during the year to support good governance.</li> <li>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>HR Policy Team in place to ensure workforce policy framework is regularly reviewed, and accountable officers appropriately supported.</li> </ul>
<p><b>Principle B – Ensuring openness and comprehensive stakeholder engagement:-</b></p>	<p><b>Examples of assurances received:-</b></p>
<p>Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication</p>	<p><b>Openness</b></p> <ul style="list-style-type: none"> <li>The Council's Fairness value sets out a corporate commitment</li> </ul>

and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders. Behaviours and actions that demonstrate good governance in practice:-

#### **Openness**

- Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.
- Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.
- Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.
- Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.

#### **Engaging comprehensively with institutional stakeholders**

- Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.
- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.
- Ensuring that partnerships are based on:
  - Trust
  - a shared commitment to change
  - a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.

#### **Engaging stakeholders effectively, including individual citizens and service users**

- Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.
- Ensuring that communication methods are effective and members and officers are clear about their roles with regard to community engagement.

to openness and transparency.

- 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.
- Council staff were invited to give their views on proposals to reduce spending in an online survey which the Cabinet used to help inform decisions.
- Overview and Scrutiny Annual Report.
- The Council's Cabinet set out commitments that link to its Corporate Plan – progress on delivery is updated on the Council's website as they are delivered.

#### **Engaging comprehensively with institutional stakeholders**

- The Council's Partnership value sets out a corporate commitment to working with partners to deliver our common ambitions.
- Staffroom Page on Intranet
- Regular Team meetings
- Annual and regular staff performance discussions take place to enable line managers to help individuals see the connection between their contribution and the wider goals of the organisation and city.
- Plymouth City Council and NHS Northern Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG) integrated commissioning strategies.
- The Children and Young People's Plan (CYPP) is a strategic framework and describes the joint agency approach in the local authority area for services to children and young people, and sets out the vision and key priorities agreed by those agencies in helping children and young people to achieve the best outcome.

- Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.
- Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.
- Balancing feedback from more stakeholder groups with other stakeholder groups to ensure inclusivity.
- Taking account of the interests of future generations of tax payers and service users.

- The South West Devon Waste Partnership holds quarterly committee meetings, which rotate around the three areas of Plymouth, Devon and Torbay.
- The Heart of the South West Local Enterprise Partnership (HotSW LEP) was formed under the leadership of the private sector, supported by the local authorities from Devon, Plymouth, Somerset and Torbay, to create a powerful economic alliance.

**Engaging stakeholders effectively, including individual citizens and service users**

- 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.
- Most Committee meetings including Full Council and Cabinet are webcast as part of our drive to make our decision making more open and transparent.
- The Plymouth & South West Devon Joint Local Plan early engagement processes and many different ways to capture people's views and opinions across the City
- The Health and Wellbeing Board framework has been informed by engaging with the public through surveys and visiting communities.
- Plymouth residents were asked to give their views about plans to address budget shortfall in the Big Decisions survey.
- There is a formal process for corporate complaints as well as Children's and Adults Statutory complaints.
- Feedback and complaint web pages.



<b>Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits:-</b>	<b>Examples of assurances received:-</b>
<p>The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available. Behaviours and actions that demonstrate good governance in practice:-</p> <p><b>Defining outcomes</b></p> <ul style="list-style-type: none"> <li>▪ Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.</li> <li>▪ Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.</li> <li>▪ Delivering defined outcomes on a sustainable basis within the resources that will be available.</li> <li>▪ Identifying and managing risks to the achievement of outcomes.</li> <li>▪ Managing service user's expectations effectively with regard to determining priorities and making the best use of the resources available.</li> </ul> <p><b>Sustainable economic, social and environmental benefits</b></p> <ul style="list-style-type: none"> <li>▪ Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.</li> <li>▪ Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.</li> <li>▪ Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.</li> <li>▪ Ensuring fair access to services.</li> </ul>	<p><b>Defining outcomes</b></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. These are set out in the Corporate Plan for the Council, and at a high level in the Plymouth and South West Devon Joint Local Plan which looks ahead to 2031.</li> <li>▪ The Medium Term Financial Strategy (MTFS) sets out how the Council will finance the priorities for the Council, having regard to the Plymouth &amp; South West Devon Joint Local Plan and the Corporate Plan.</li> <li>▪ Corporate Risk &amp; Opportunity Management framework in place.</li> <li>▪ Plymouth &amp; South West Devon Joint Local Plan Working Group.</li> <li>▪ Housing Needs Working Group.</li> <li>▪ Corporate Parenting Working Group.</li> <li>▪ Health and Wellbeing Board.</li> <li>▪ Constitution, Civic and Member Development Working Group.</li> <li>▪ Child Poverty Working Group.</li> <li>▪ Regional Brexit Risks and Opportunities Working Group.</li> </ul> <p><b>Sustainable economic, social and environmental benefits</b></p> <p>The Council collects and analyses data extensively to inform decision making and assess and mitigate risk, including its Joint Strategic Needs Assessment and a range of demographic and economic data.</p> <p>Recent operational examples of decisions made based on assessed need include:</p> <ul style="list-style-type: none"> <li>▪ The Council has commissioned a local voluntary and community</li> </ul>

	<p>provider to facilitate and support the development of time banks.</p> <ul style="list-style-type: none"> <li>▪ Plymouth libraries have been commissioned to provide health and social care information hubs.</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>▪ Extended opening hours at the First Stop Shop in New George Street, Register Office, four main libraries and the Contact Centre.</li> </ul>
<b>Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes:-</b>	<b>Examples of assurances received:-</b>
<p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised. Behaviours and actions that demonstrate good governance in practice:-</p> <p><b>Determining interventions</b></p> <ul style="list-style-type: none"> <li>▪ Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.</li> <li>▪ Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills and assets and bearing in mind future impacts.</li> </ul> <p><b>Planning interventions</b></p> <ul style="list-style-type: none"> <li>▪ Establishing and implementing robust planning and control cycles that cover strategic and</li> </ul>	<p><b>Determining interventions</b></p> <ul style="list-style-type: none"> <li>▪ Alternative options considered and rejected section within Committee Reports.</li> <li>▪ The work of scrutiny in Plymouth is coordinated by Scrutiny Committees. To ensure that scrutiny is an independent process, this board has cross party representation and is chaired by a member from a different political group to the Leader of the Council</li> <li>▪ 'Have your say' promotions</li> <li>▪ Customer comments procedure</li> <li>▪ Plymouth &amp; South West Devon Joint Local Plan Facebook page.</li> <li>▪ Planning eNewsletter.</li> </ul> <p><b>Planning interventions</b></p> <ul style="list-style-type: none"> <li>▪ Plymouth City Council/NEW Devon CCG joint risk register.</li> <li>▪ Risk &amp; Opportunity Management Strategy and Policy in place.</li> <li>▪ Collaborative working with community and voluntary sector to develop funding bids drawing in external funding to the City.</li> </ul>

operational plans, priorities and targets.

- Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.
- Considering and monitoring risks facing each partner when working collaboratively including shared risks.
- Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.
- Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.
- Ensuring capacity exists to generate the information required to review service quality regularly.
- Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.
- Informing medium and long term resource planning by drawing up realistic estimates of revenues and capital expenditure aimed at developing a sustainable funding strategy.

#### **Optimising achievement of intended outcomes**

- Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.
- Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.
- Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues of responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.
- Ensuring the achievement of 'social value' through service planning and commissioning.

- Complaints process is managed and tracked and enables regular reporting on performance to senior management.

- Corporate Plan Performance Framework

#### **Optimising achievement of intended outcomes**

- The Medium Term Financial Strategy (MTFS) sets out how we 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 Wider Devon Sustainability and Transformation Plan sets out ambitious plans to improve health and care services for people across Devon in a way that is clinically and financially sustainable. Health and care organisations as well as Local Authorities across Devon have been working together to create the shared five-year vision to meet the increasing health and care needs of the population.
- Plymouth and South West Devon Joint Local Plan which will cover Plymouth City, South Hams District and West Devon Borough. The plan brings together work that has already been carried out separately by the three councils on the Plymouth Plan, South Ham's 'Our Plan' and West Devon's 'Our Plan'. The three plans will be integrated to create a single strategy.
- Plymouth City Centre Master plan.
- Plymouth Waterfront Master Plan.
- Under the Council's 'One System One Budget' integrated commissioning approach, social value is driven through four overarching commissioning strategies.

<b>Principle E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it:-</b>	<b>Examples of assurances received:-</b>
<p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities. Behaviours and actions that demonstrate good governance in practice:-</p> <p><b>Developing the entity’s capacity</b></p> <ul style="list-style-type: none"> <li>▪ Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness.</li> <li>▪ Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority’s resources are allocated so that outcomes are achieved effectively and efficiently.</li> <li>▪ Recognising the benefits of partnerships and collaborative working where added value can be achieved.</li> <li>▪ Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.</li> </ul> <p><b>Developing the capability of the entity’s leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>▪ Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.</li> <li>▪ Publishing a statement that specifies the type of decisions that are delegated and those reserved for the collective decision making of the governing body.</li> <li>▪ Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each</li> </ul>	<p><b>Developing the entity’s capacity</b></p> <ul style="list-style-type: none"> <li>▪ We sold the Civic Centre and moved into more cost-effective accommodation.</li> <li>▪ Benchmarking is an integral part of the performance management framework.</li> <li>▪ There is an annual process to review and agree the Pay Policy in accordance with the Localism Act Section 38(1).</li> <li>▪ Internal/External Audits</li> <li>▪ Local Assurance Test</li> <li>▪ The Council actively engages in partnership working to help deliver priorities - Partners and Partnerships are listed on the Council website.</li> <li>▪ All services are being thoroughly reviewed and modernised, looking for efficiency savings.</li> </ul> <p><b>Developing the capability of the entity’s leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>▪ Our People Strategy 2016-2020.</li> <li>▪ Annual staff survey undertaken to gauge employee satisfaction and assist in improving the organisation for employees as a place to work and consequently improve how the organisation performs.</li> <li>▪ Annual staff ‘Star’ awards.</li> <li>▪ Six council-wide workforce development priorities - management development; commercial finance; political awareness; customer focus; ICT and projects.</li> <li>▪ £1m investment in workforce capability for 2016/17.</li> <li>▪ Induction training is carried out for new Members and</li> </ul>

<p>provides a check and a balance for each other's authority.</p> <ul style="list-style-type: none"> <li>▪ Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by;             <ul style="list-style-type: none"> <li>• Ensuring members and staff have access to appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.</li> <li>• Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.</li> <li>• Ensuring personal, organisational and system wide development through shared learning, including lessons learned from governance weaknesses both internal and external.</li> </ul> </li> <li>▪ Ensuring that there are structures in place to encourage public participation.</li> <li>▪ Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.</li> <li>▪ Holding staff to account through regular performance reviews which take account of training or development needs.</li> <li>▪ Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</li> </ul>	<p>employees.</p> <ul style="list-style-type: none"> <li>▪ eLearning training is utilized.</li> <li>▪ Councillor training programme.</li> <li>▪ Apprenticeship Programme in place.</li> </ul>
<p><b>Principle F – Managing risks and performance through robust internal control and strong public financial management:-</b></p>	<p><b>Examples of assurances received:-</b></p>
<p>Local government needs to ensure that the organisation and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts,</p>	<p><b>Managing risk</b></p> <ul style="list-style-type: none"> <li>▪ Risk and Opportunity Management Strategy – risks are monitored quarterly and monitoring results ratified by Audit Committee.</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 and Audit Committee.</li> <li>▪ Risk and Opportunity Management Annual Report.</li> </ul>

promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority. Behaviours and actions that demonstrate good governance in practice:-

#### **Managing risk**

- Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.
- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.
- Ensuring that responsibilities for managing individual risks are clearly allocated.

#### **Managing performance**

- Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.
- Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.
- Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (or, for a committee system). Encouraging effective and constructive challenge and debate on policies and objectives to support balance and effective decision making.
- Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.
- Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).

#### **Robust internal control**

- Aligning the risk management strategy and policies on internal control with achieving the objectives.
- Evaluating and monitoring the authority's risk management and internal control on a regular basis.
  - Ensuring effective counter fraud and anti-corruption arrangements are in place.
  - Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal

- Risk Management eLearning for staff.
- The internal audit plan is based on the high risks reported within the risk and opportunity registers.
- Joint integrated risk management framework between Plymouth City Council and NEW Devon CCG.
- Health, Safety & Wellbeing Steering Group.

#### **Managing performance**

- Key performance indicators.
- Staff appraisal system.
- Monitor administration's commitments.
- Corporate Plan Performance Framework.
- Project and performance management discipline in place for all major transformation and service improvement projects.

#### **Robust internal control**

- 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.
- 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.
- 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.
- The Chief Internal Auditor supports the Audit Committee and reviews its effectiveness on an annual basis.

auditor.

- Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body;
- Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment.
- That is recommendations are listened to and acted upon.

#### **Managing data**

- Ensuring effective arrangements are in place for the safe collection, storage, and use and sharing of data, including processes to safeguard personal data.
- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.
- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.

#### **Strong public financial management**

- Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.

Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.

#### **Managing data**

- Information Lead Officer Group in place to direct work streams within the overall governance of information assets.
- Information Governance Manager and Corporate Records Manager in post.
- Management of Information Security Forum in place to ensure there is clear direction and visible management support for security initiatives.
- Information Security eLearning for staff.
- Information management strategy including data quality and data protection policies in place.

#### **Strong public financial management**

- 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.
- Medium Term Financial Strategy focuses on taking a view to 2019/20 of the range of major issues affecting the resources of Plymouth City Council.
- 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.

<b>Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability:-</b>	<b>Examples of assurances received:-</b>
<p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability. Behaviours and actions that demonstrate good governance in practice:-</p> <p><b>Implementing good practice in transparency</b></p> <ul style="list-style-type: none"> <li>▪ Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.</li> <li>▪ Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.</li> </ul> <p><b>Implementing good practices in reporting</b></p> <ul style="list-style-type: none"> <li>▪ Reporting at least annually on performance, value for money and the stewardship of its resources.</li> <li>▪ Ensuring members and senior management own the results reported</li> <li>▪ Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an evidence to demonstrate good governance (annual governance statement).</li> <li>▪ Ensuring that the framework is applied to jointly managed or shared service organisations as appropriate.</li> <li>▪ Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.</li> </ul> <p><b>Assurance and effective accountability</b></p> <ul style="list-style-type: none"> <li>▪ Ensuring that recommendations for corrective action made by external audit are acted upon.</li> <li>▪ Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon.</li> </ul>	<p><b>Implementing good practice in transparency</b></p> <ul style="list-style-type: none"> <li>▪ The Local Safeguarding of Children Board has full partner engagement and its work and records are published and accessible.</li> <li>▪ The Adult Safeguarding Board has full partner engagement and its work and records are published and accessible.</li> <li>▪ Committee agendas and minutes (Part I) are published on the Council's website.</li> </ul> <p><b>Implementing good practices in reporting</b></p> <ul style="list-style-type: none"> <li>▪ The Annual Report communicates Council's activities and achievements, its financial position and performance.</li> <li>▪ Every year the Scrutiny Board publishes a report on the achievements of the scrutiny function. The report is approved by the board and seen by the Council.</li> <li>▪ Corporate Plan Performance Framework in place.</li> </ul> <p><b>Assurance and effective accountability</b></p> <ul style="list-style-type: none"> <li>▪ Internal and External Audit findings are reported to Audit Committee.</li> <li>▪ Annual Governance Statement reviewed by External Auditors</li> <li>▪ The Audit Committee monitor and review the council's corporate governance arrangements, financial reporting, internal control system, risk management system and internal and external audit functions.</li> </ul>



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| <ul style="list-style-type: none"> <li>▪ Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.</li> <li>▪ Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.</li> <li>▪ Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.</li> </ul> |  |
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## 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. Risk Management

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.

## 7. Areas of Significant Governance

A key element of the annual governance review process is also to identify any significant internal control issues. The Council has adopted the approach recommended by CIPFA which has identified what may be considered generally as a significant issue. These criteria are:

- The issue has the potential to seriously prejudice or prevent achievement of a principal objective;
- The issue may result in a need to seek additional funding to allow it to be resolved;

- The issue has the potential to result in significant diversion of resources from another aspect of the business;
- The issue may lead to a material impact on the accounts;
- The issue, or its impact, may attract significant interest or seriously damage the reputation of the Council;
- The issue may result in formal action being taken by the Section 151 Officer and/or the Monitoring Officer;
- The audit committee, or equivalent, has advised that it should be considered significant for this purpose, or
- The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

This table describes the areas where significant governance is required for matters carried forward from 2015/16 and identified during 2016/17:

Key Governance Area	Lead Officer	Description	Reporting Through
Delivery of The Plymouth and South West Devon Joint Local Plan and Plymouth Plan	Strategic Director for Place	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 and South West Devon Joint Local Plan and explained how it will provide an integrated and holistic long term plan as to how the city and surrounding area will change between 2012 and 2031. The Joint Local Plan (JLP) covers the local authority areas of Plymouth City Council, South Hams District Council and West Devon Borough Council. The JLP and the Plymouth Plan provides a strategic policy framework for both people and place. The creation of sustainable communities, and the theme of providing quality of life for everyone in the city, runs through the heart of the plans, providing an effective and integrated strategic framework for addressing and responding to issues such as community safety, community cohesion, child poverty and equalities and diversity.	Cabinet
<p><b>Assurance Statement:</b> Given that the Plan contains the Council's emerging Local Plan it must follow the statutory process for producing a Local Plan, including further consultation processes and eventually being considered by an independent Planning Inspector at an examination. The Plan will be considered against national regulations and guidance contained in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (NPPG). A Joint Member Steering Group is in place to ensure that key decisions needing to be made are taken back to the individual local authorities. The decision to move to a joint local plan (JLP) for Plymouth, South Hams and West Devon means that some consequential amendments will be required to the Plymouth Plan. The need to amend the Plymouth Plan also presents an opportunity to update the policies, reflecting new and updated evidence / data (where this is available), together with emerging priorities for the City Council and its partners.</p>			
Delivering Council services within the envelope of the resources provided in 2017-19 Medium Term	Interim Joint Strategic	The Council continues the Transformation Programme which is improving efficiency and reducing costs whilst still delivering benefits to the customer.	Transformation Portfolio Board;

Key Governance Area	Lead Officer	Description	Reporting Through
<p>Financial Strategy (MTFS)</p> <p>- The Council needs to deliver £37m of efficiencies over the next three financial years to 2019-2020</p>	Director for Transformation & Change	<p>Significant savings are focused in three key programmes:-</p> <ul style="list-style-type: none"> <li>• Growth, Assets and Municipal Enterprise (GAME2) – This programme is investing in accelerating Plymouth’s economic growth, which will raise income through business rates and Council tax. It includes a wide range of initiatives to create more jobs and deliver more homes in Plymouth, guided by the Plymouth Plan and the Plan for Homes. We are also maximising the opportunities to increase income by making best use of our assets and taking a more commercial approach to the way we commission and run services.</li> <li>• One System, One Aim - This programme emphasises the need for preventative and early intervention services to improve health, thus reducing demand for services in the longer term to develop a sustainable system.</li> <li>• Transforming the Corporate Centre - This programme has been established to define and deliver an organisational service centre to deliver universal services and transactions with consistency and commonality, including delivery of digital service transformation across the entire organisation to enable channel shift and process.</li> </ul>	Scrutiny Panels and Cabinet
<p><b>Assurance Statement:</b> The Council adopted a Medium Term Financial Strategy for 2017/18 to 2019/20 in November 2016, with requirements and resources based on delivering against the vision and themes set out in the Corporate Plan. The MTFS links the revenue budget, capital programme and treasury management strategy and is based on a set of financial principles and objectives and is refreshed and updated on a regular basis. The Council work with treasury management advisors to fully understand the treasury management impact of Britain’s exit from the EU. The Corporate Plan allows the council to continue to manage its commitments within the revenue and capital envelope agreed. Due to transformation savings the Council has overcome the £65m gap identified in 2013.</p>			

Key Governance Area	Lead Officer	Description	Reporting Through
Reducing Health Inequalities to prevent our poorest residents continuing to live shorter lives as well as more years in ill health.	Director of Public Health	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 was adopted by full council with links to the Plymouth Plan and Integrated Commissioning Strategies which provides a good foundation to achieve prevention in all services and decision making processes. We are working with major employers to embed an understanding and focus to reduce health inequalities reaching thousands of employees and children and young people via schools.	Health & Wellbeing Board
<b>Assurance Statement:</b> The Sustainability and Transformation Plan (STP) is a strategic plan that covers the whole of wider Devon, including Plymouth, Devon and Torbay. The three top tier Local Authorities, two Clinical Commissioning groups (NEW Devon CCG and South Devon and Torbay CCG) and all the organisations covered by these CCGs are included in this footprint. The Collaborative Board supports the STP Board and is attended by the Leader and Chief Executive and there have been a number of meetings across wider Devon involving Overview and Scrutiny.			

Key Governance Area	Lead Officer	Description	Reporting Through
Safeguarding children and protecting them from the risk of harm	Strategic Director for People	Every council has to set up a Safeguarding Children Board responsible for improving the wellbeing of children in the area. The boards are multi-agency and include representatives from partner organisations.	Plymouth Safeguarding Children Board
<b>Assurance Statement:</b> Plymouth Safeguarding Children Board (PSCB) coordinates the work of everyone on the board to safeguard and promote the welfare of children in Plymouth and publishes policies and procedures for child protection. The Board has an independent Chair, (someone who doesn't work for social services) who works closely with the Director of Children's Services. The corporate Safeguarding Children Improvement Plan will be informed by self-assessment to include an assurance test. The Transformation Programme has risk registers for each work stream.			
Public Sector organisations across the country are facing unprecedented challenges and pressures due to an aging population, increasing complexity of need and the requirement to deliver better services with less public resource. Plymouth and Devon also face a particular financial challenge because of the historic pattern of provision and pockets of deprivation and entrenched health inequalities. In order to meet the challenges facing Plymouth and support the wider challenged health economy work, New Devon CCG and Plymouth City Council have established a joint programme of work known as 'One System, One Aim'.	Strategic Director for People	Plymouth City Council and NHS Northern Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG) formed an integrated commissioning function on 1 April 2015, bringing together over £462 million of Plymouth City Council and NEW Devon CCG funding working towards a single commissioning approach, an integrated fund, and risk and benefit sharing agreements in order to deliver health and wellbeing services across the city. An integrated risk management framework is in place and the risk register aligns risks to the corporate objectives arising from the One System One Aim transformation project.	Health & Wellbeing Board and Cabinet
<b>Assurance Statement:</b> A Section 75 agreement is in place across Plymouth City Council and NEW Devon CCG which covers the integrated fund of £462m, this includes the whole of the People Directorate budget and the Public Health commissioning budget. The Partners have established the Plymouth & West Devon Integrated Commissioning Board (PWICB) to provide oversight and leadership for delivery of the integrated commissioning function. PWICB is based on a joint working group structure and will ensure compliance with each Partner's Constitutions, standards of clinical and corporate governance and management and behavioural standards expected. The Health and Well Being Board will provide strategic oversight of partnership working between the Partners and shall make recommendations to the Partners as to any actions it considers necessary.			
Potential negative impact of the various elements of Welfare Reform changes on addressing our priorities. Overall the changes will result in a significant financial loss to individuals and families across the Peninsula, with associated impacts on	Strategic Director for People	One of the main opportunities created by welfare reform impacts is the amount of prospects and openings for joint and co-operative working – many agencies and departments have come together to work with the Council including DWP and Crime Prevention Officers. Working towards minimising impacts of welfare reform helps the Council understand its	

Key Governance Area	Lead Officer	Description	Reporting Through
communities and services, particularly those that provide support to vulnerable people.		customer base and the issues they face. The Safer Plymouth Partnership will ensure close monitoring of ongoing work to minimise the impact of welfare reform, and consider what further support it can offer to mitigate any negative effects that may result in/lead to increases in criminal activity, for example serious acquisitive crime, domestic abuse, violent crime and substance misuse and develop and implement interventions to mitigate the impact.	
<b>Assurance Statement:</b> The Safer Plymouth Partnership operates within a statutory framework with responsible authorities expected to work with other local agencies and organisations to develop and implement strategies to tackle crime, disorder, misuse of drugs and other substances and anti-social behaviour. Members that make up Safer Plymouth Partnership are representatives of Plymouth City Council, Devon and Cornwall Police, NHS Clinical Commissioning Group, Devon and Somerset Fire and Rescue, Devon and Cornwall Probation Trust and The Police and Crime Commissioner.			
Risk that the Council will not meet its statutory duty for the completion of assessments within the deadlines in relation to Deprivation of Liberty (DoLs) referrals.	Strategic Director for People	All health and social care staff have a duty to be aware of and comply with the Mental Capacity Act 2005 (MCA) when working with anyone who might struggle to make a decision for themselves about their health or social care needs. This can include dementia, learning disabilities, brain injuries suffered from a stroke or any mental illness which might impair a person's ability to make decisions. Due to an increase in demand resulting from a legal judgement in 2014 which had a national impact, the Council (alongside the majority of authorities) is not meeting its statutory duty for the completion of assessments within the deadlines.	Plymouth Safeguarding Adults Board
<b>Assurance Statement:</b> Risks are tracked via the risk register and a DoLs action plan is in place to deploy additional resource when required.			
The Council meeting its obligations to keep citizen data secure and provide and display information in line with statutory requirements.	Interim Joint Strategic Director for Transformation and Change	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. An Information Lead Officer working group comprising of Information Lead Officers from each directorate are responsible for delivery of actions. The group report to a Senior Information Risk Owner who is a member of the senior management team.	Audit Committee
<b>Assurance Statement:</b> The Information Lead Officer working group meet on a bi-monthly basis and will form part of a Project Board to progress the Information Management project which aims to modernise and streamline information management processes. Interim paper storage solutions have been implemented following the appointment of a Corporate Records Manager.			

Key Governance Area	Lead Officer	Description	Reporting Through
Councils across Devon and Somerset are working with the Local Enterprise Partnership, the National Parks and health partners to develop proposals for Devolution to boost the prosperity of the whole area, referred to as the 'Heart of the South West'.	Assistant Chief Executive	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. 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.	Cabinet
<b>Assurance Statement:</b> The Heart of the South West (HotSW) comprises of 17 local authorities, two National Parks, the Local Enterprise Partnership and all three Clinical Commissioning Groups who have given their in-principle approval to set up a Combined Authority to support our devolution deal. A governance review is underway which will set out the powers, roles, functions, and operational arrangements for the Combined Authority and propose its relationships with and to key delivery partners nationally, locally and with neighbours. This review will form part of the Productivity Plan.			
Delivery of a plan for waste that delivers increased recycling levels in Plymouth and ensures it meets the PFI targets agreed in the SW Devon Waste Partnership	Strategic Director for Place	The Council has started to reshape waste services with the optimisation of collection routes early in 2015. The next phase of the transformation of waste management aims to increase household recycling rates to 40% in the short term, improve performance levels, and meet the targets in the Energy from Waste partnership contract and to reduce the overall ongoing costs of the service in partnership with our residents. Modernisation of the service will be achieved through a range of interventions that will require changes in attitudes and other adjustments. Good engagement and communications are vital to ensure that the Council brings residents and staff along through this transition. The communications and engagement strategy has been developed and approved by the Project Board.	South West Devon Waste Partnership and Cabinet
<b>Assurance Statement:</b> Whilst the majority of recycling initiatives have been delivered they have not achieved desired recycling rates which have recently decreased. New measures are being determined to improve recycling rates and we are engaging with Defra to deliver recycling improvements and monitor ongoing compliance. The modernisation of Waste and Street Services incorporates the citywide roll out of alternate weekly collections of household waste, and associated interventions to support the increase in recycling across the city.			

## 8. 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  
Interim Joint Strategic Director  
Transformation & Change (Section 151 Officer)  
Dated:



**PLYMOUTH CITY COUNCIL**

**Subject:** Strategic Risk and Opportunity Register – Monitoring Report

**Committee:** Audit Committee

**Date:** 14 September 2017

**Cabinet Member:** Councillor Darcy

**CMT Member:** Andrew Hardingham (Interim Joint Strategic Director Transformation and Change)

**Author:** Mike Hocking, Head of Assurance Services

**Contact details** Tel: 01752 304967  
email: [mike.hocking@plymouth.gov.uk](mailto:mike.hocking@plymouth.gov.uk)

**Ref:** CRM/MJH

**Key Decision:** No

**Part:** 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 2017 to August 2017.

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 remains at 15 with the deletion of two and the addition of two new risks.

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**The Corporate Plan 2016 - 19:**

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.

**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? Not required.

**Recommendations and Reasons for recommended action:**

The Audit Committee is recommended to:

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

**Alternative options considered and rejected:**

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

**Published work / information:**

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

**Background papers:**

None.

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

**Sign off:**

Fin		Leg	It/288 70/1	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham, Interim Joint Strategic Director Transformation and Change													
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 [16 March 2017](#) and this report now provides a summary of the latest monitoring exercise covering the position as at 31 August 2017.

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

- 2.1** In accordance with the strategy requirement for twice-yearly monitoring, the latest review and monitoring exercise was completed in July 2017 with the results discussed and agreed by CMT on 15 August 2017.
- 2.2** 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.

## **3.0 Headline Issues**

### **3.1 Risk Score Unchanged**

#### **Red Risk 95 – Medium Term Financial Strategy (MTFS) 2017-2020 (Row No. 1)**

Quarter one update has been completed and presented to CMT. A full review was undertaken in July with a draft MTFS presented to CMT in August and Scrutiny in September 2017.

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

Quarter one budget monitoring has identified a challenging in year position. CMT are reviewing in detail all budgets with action plans required to address in year pressures.

#### **Amber Risk 117 – Failing to adhere to the General Data Protection Regulation (GDPR) – (Row No. 6)**

The GDPR will replace the Data Protection Act from May 2018 and places more conditions on data controllers for obtaining consent and allows people more rights on the processing of their data. The Information Governance Manager has been raising awareness at CMT and department management teams and staff workshops are underway. Funding has also been secured for a compliance assessment of our ICT systems.

### **3.2 New Risks**

**Amber Risk 118 – Potential failure to deliver effective electoral services functions due to inadequate resourcing and processes and lack of appropriately qualified staff. Consequences could include a negative impact upon maximising registration and a risk of disenfranchising voters – (Row No. 7)**

Following the electoral administration problems in the lead-up to the General Election on 8 June the public were asked to tell an independent enquiry about their experiences. The Call for Evidence closed at 5pm on Friday 30 June 2017. All feedback submitted through the call is being considered by the independent investigator for the Elections Review. The investigator's report will be considered by a meeting of the Full Council in September. The Elections Programme is working on elections recovery and development overseen by the Elections Programme Board.

**Green Risk 119 – Cladding issues on buildings in Plymouth above 18m that have the potential to contain, or have been identified as containing ACM cladding that has a risk of combustion – (Row 12)**

The responsibility for building safety lies with the individual building owners but the Council and Devon and Somerset Fire and Rescue Service have taken the lead on communicating relevant information and monitoring remedial measures to all affected properties.

### 3.3 Deleted Risks

**Amber Risk 107 – Failure to deliver the HMI7 Programme of change – (Row No. 14)**

Plymouth's road maintenance services were successfully transferred to South West Highways (SWH) in April 2017.

**Green Risk 108 – Failure to secure funding for the Plymouth History Centre – (Row No. 15)**

Funding for the History Centre has been secured from a range of significant partners including Plymouth City Council, the Heritage Lottery Fund, Arts Council England, the Coastal Communities Fund, the Garfield Weston Foundation, the University of Plymouth and the Wolfson Foundation. The project is on schedule to open in spring 2020 as part of the city's Mayflower 400 commemorations.

### 3.4 Risk Score Decreased

**Amber Risk 46 – The Council not meeting its obligations to keep citizen data secure – Decreased from 16 to 12 (Row No. 9)**

Staff awareness training has been rolled out and there is now greater reporting consistency within directorates and improved contract management with partners. Quarter one has seen a decrease in the number of breaches compared to previous years.

### 4.0 Integrated Assurance

**4.1** The creation of the Integrated Assurance Service has resulted in risk management being formally aligned and working alongside other compliance functions and other corporate governance processes to promote a joined-up approach to all aspects of governance.

**4.2** The "The Three Lines of Defence" model was presented to this Committee on [16 March 2017](#). We are working towards putting this model into practice to help demonstrate and structure roles and responsibilities, accountabilities for decision

making, risk and control and achieve greater effectiveness around governance and assurance.

- 4.3** Joint working is underway with Sian Millard, Oversight and Governance Manager and Performance Advisors in the Chief Executive Office to enhance performance reporting with the inclusion of risk so that links between indicators and activities relating to the corporate risk registers are more explicitly identified. This work will be completed during the next quarter with results being brought to this Committee in December 2017.

### **5.0 Summary and Conclusion**

- 5.1** 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.
- 5.2** 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.
- 5.3** 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.
- 5.4** 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.
- 5.5** The next formal review of the Strategic Risk and Opportunity Register will take place in February 2018.

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ROW NO	RISK REF	DESCRIPTION OF RISK (Risk description should include cause / risk event / consequence and risk category)	LINK TO CORPORATE PLAN PERFORMANCE FRAMEWORK OR BUSINESS PLAN (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 MANAGEMENT CONTROLS AND INTERNAL CONTROL MEASURES (Business improvement actions, controls and reporting on progress)	ASSURANCES ON CONTROLS / MITIGATION (Where we can gain evidence that our controls on which we are placing reliance are effective)	PREVIOUS RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING			RAG RATING /CHANGE IN RISK RATING	ACTION PLAN / FUTURE MITIGATION / ASSURANCE PLAN	HOW WILL PROGRESS BE MEASURED (LIST MEASURABLE BENEFITS AND NON-QUANTIFIABLE BENEFITS)	TARGET DATES (or review date if target unknown)	RESPONSIBLE OFFICER(S)	DIRECTOR / ASSISTANT DIRECTOR	RISK CHAMPION
				First Line of Defence - Management Actions	Second Line of Defence - Oversight Functions or Internal / External Audit and Regulator Reviews	Feb-17			Aug-17									
						P	I		P	I								
1	95  On IRR	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 2017-2020</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.  The Medium Term Financial Strategy (MTFS) for the financial years 2017/18 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  Risk Category: FINANCIAL	Corporate Plan Performance Framework Outcome - Pioneering	The Council set a balanced budget in 2017-18 following the identification of additional efficiencies.  The MTFS will be updated quarterly.	MTFS updated each year and agreed by Full Council; The Chief Financial Officer (£151 Officer). An Officer Working Group is meeting regularly to advance the MTFS with a detailed timetable in place. CMT and Cabinet continue to receive monthly monitoring reports identifying risks and pressures leading to the consideration of proposals for corrective action.  Finance & Assurance Review Group; Integrated Health & Wellbeing Board; Joint Integrated Commissioning Risk Register; Internal Audit Reviews by DAP and Audit SW	4	5	20	4	5	20	R	Quarter one update has been completed and presented to CMT. In July a full review was undertaken with a draft MTFS presented to CMT in August and Scrutiny in September 2017. This will roll forward the MTFS for 2016-19 to 2021-22.  The position for 100% business rates retention is on hold until the government confirm their plans.  Modelling has taken into account the impact of Business Rates revaluation and the impact of new business rates appeals rules. Council Tax base assumptions have been updated.  Work with Arlingclose (our treasury management advisors) to fully understand the treasury management impact of Britain's exit from the European Union and other treasury management opportunities.	Development MTFS is a key priority for CMT. Raised awareness and ownership by SMT  Savings plans are being reviewed and alternative plans being developed and considered.  Protect PCC's funding entitlements and maximise its position under existing and any further proposals for business rates retention  Develop countermeasures and alternative investments	Ongoing  Ongoing  Ongoing	Paul Looby	Andrew Hardingham	Aaron Perrin
2	21  On Op & IRR	<b>Being unable to deliver Council services within the envelope of the resources provided in 2017/18</b> leading to negative impact on budgets, loss of reputation, negative impact on front line services and a negative opinion from external audit.  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 2017/18 carries significant risk on its capability to achieve this result.  Risk Category: STRATEGIC TRANSFORMATIONAL CHANGE	Corporate Plan Performance Framework Outcome - Pioneering	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.  Regular project accounting reports to the Transformation Portfolio Board and the Transformation Portfolio Review Group.  Budget sessions at DMTs.	CMT / Cabinet / Scrutiny  Annual review by External Auditors;  Audit Committee oversee the financial reporting process;  The Chief Internal Auditor supports the Audit Committee and reviews its effectiveness annually;  Transformation Portfolio Board	4	4	16	4	4	16	A	Quarter one budget monitor has identified a challenging in year position. CMT reviewing in details all budgets with action plans required in August to address in year pressures.	Better return on the investment portfolio  Identification of departmental action plans. Improved efficiency and reduced costs  Increase in successful grant bids  Reduced contract costs from procurement review.  Improved efficiency and reduced costs	Ongoing  Qtly MTFS updates  Qtly Reviews  Qtly Reviews  Ongoing	Paul Looby / Helen Cocks	Andrew Hardingham / Dawn Aunger	Aaron Perrin / Freya Edwards
3	83  On IRR	<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.  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  Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING	Corporate Plan Performance Framework Outcome - Caring	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 seeks to embed an understanding and focus to reduce health inequalities reaching thousands of employees and children and young people via schools.	The Health & Wellbeing Board;  Thrive Plymouth integral to the Plymouth Plan which is monitored via CMT/Cabinet/Full Council;  Finance and Assurance Review Group review Joint Integrated Commissioning Risk Register quarterly	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 / Rob Nelder	Ruth Harrell	Scott Senior



ROW NO	RISK REF	DESCRIPTION OF RISK (Risk description should include cause / risk event / consequence and risk category)	LINK TO CORPORATE PLAN PERFORMANCE FRAMEWORK OR BUSINESS PLAN (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 MANAGEMENT CONTROLS AND INTERNAL CONTROL MEASURES (Business improvement actions, controls and reporting on progress)	ASSURANCES ON CONTROLS / MITIGATION (Where we can gain evidence that our controls on which we are placing reliance are effective)	PREVIOUS RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING			RAG RATING /CHANGE IN RISK RATING	ACTION PLAN / FUTURE MITIGATION / ASSURANCE PLAN	HOW WILL PROGRESS BE MEASURED (LIST MEASURABLE BENEFITS AND NON-QUANTIFIABLE BENEFITS)	TARGET DATES (or review date if target unknown)	RESPONSIBLE OFFICER(S)	DIRECTOR / ASSISTANT DIRECTOR	RISK CHAMPION
						Feb-17			Aug-17									
						P	I		P	I								
				First Line of Defence - Management Actions	Second Line of Defence - Oversight Functions or Internal / External Audit and Regulator Reviews													
4	84  On IRR	<b>Risk of increased poverty/hardship as a result of the impact of Welfare Reform</b> and reduced funding for discretionary welfare funds  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  Risk Category: FINANCIAL	<i>Corporate Plan Performance Framework Outcome - Caring - Respecting people's wishes; Confident - Council decisions driven by citizen need</i>	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. Commissioning advice services. Local support agreement for Universal Credit claimants  Adoption of the Child Poverty Action Plan in October 2016	Safer Plymouth Partnership aligns governance structure with Health & Wellbeing Board	4	4	16	4	4	16	<div><div></div></div> A	Officers working group across depts. to measure impact, consider response and coordinate actions.  Review and recommission advice services.  Regular review of local Council Tax Support Scheme.  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.  Welfare Response Group performance managing implementation of action plan.  Customer Satisfaction Rates.  Economic Performance Monitoring arrangements.  Monitoring progress of the Child Poverty Action Plan Outcomes	Ongoing  Oct 17  Ongoing  Annually  Annually	Darin Halifax  Rachel Silcock  Emma Rose  David Draffan  Judith Harwood	Giles Perritt	Maddie Halifax
5	94  On IRR	<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.  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.  Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING	<i>Corporate Plan Performance Framework Outcome - Caring</i>	Children & Young People Service Transformation Project implemented and seen impact of the Gateway;  Plan for Child Poverty 2016-2019 The Children and Young People's Commissioning Plan which is being overseen by the CYP System Design group.	Local Safeguarding of Children Board;  Children & Young People's System Design Group	4	4	16	4	4	16	<div><div></div></div> A	The review of the implementation of the CYPFs transformation has now begun and will report in October 2017.  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	Tracey Green / Siobhan Wallace	Alison Botham / Judith Harwood	Maddie Halifax
6	117	<b>Failing to adhere to the General Data Protection Regulation (GDPR)</b> which will replace the Data Protection Act from May 2018. Failure to adhere to these Regulations may lead to a fine from the ICO and damage to reputation. There will also be a resource cost to the council in implementing actions to manage the new regulations.  Risk Category: FINANCIAL	<i>Pioneering - A Council that uses resources wisely</i>	Devon Information Security Partnership (DISP) / ICO action plan. ILOG to raise awareness within departments	Senior Information Risk Owner in place;  CMT have been briefed	4	4	16	4	4	16	<div><div></div></div> A	Information Governance Manager to raise awareness at CMT and DMTs and arrange staff workshops.  Staff workshops underway.  EA have secured funding for assessment of ICT systems for compliance.  DISP workshops are delivering various items.	Monitor action plan through MISF/ILOG	May-18	John Finch	Andrew Hardingham	Aaron Perrin
7	118	<b>Potential failure to deliver effective electoral services functions</b> due to inadequate resourcing and processes and lack of appropriately qualified staff. Consequences could include a negative impact upon maximising registration and a risk of disenfranchising voters.  Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING	All eligible people are able to participate in the electoral process, should they wish to do so with resident and stakeholder confidence through: -Capability and resilience developed -Integrity of systems -Rigour in process and planning	Head of Financial Planning co-ordinating the capture of all relevant financial information; Welfare Services promoted for staff; Silver Command workstreams; Elections Programme commenced with dedicated Programme Manager and Operational Management resource; Initial BAU priorities focussed on migration to Express; Annual canvas delivery, polling station review and ensuring that all measures are taken to support recommendations arising from the independent investigation; Customer Care workstream highlighting emerging themes and issues through customer contact channels; Complaints process implemented to capture relevant complaints from all sources	Independent investigation commissioned due to report to Full Council on 25 September 2017  Elections Programme Board (EPB). The Chief Executive is the Senior Risk Owner, Asst Chief Executive is the Project Executive. The EPB holds the Elections Programme to account on delivery of the elections recovery/development programme	New			4	4	16	<div><div></div></div> A	Co-produced document with Electoral Commissioner which will report recommendations for implementation; New Electoral Registration System (Express) being implemented; Continue to monitor business continuity; Continue to review data quality in support of the external investigation.	Implementation of report recommendations	Sep-17	Tracey Lee / Giles Perritt	Tracey Lee	Maddie Halifax
8	114  On ORR	<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.  Public Protection Service is an upstream service, that is highly preventative in protecting health, safety and wellbeing  Risk Category: COMPLIANCE & REGULATION & SAFEGUARDING	<i>Corporate Plan Performance Framework Outcome - Caring</i>	All areas of work have been assessed and prioritised to attempt to focus attention on those areas of highest need. All areas have been risk assessed and we follow a triage system to focus resources on areas of greatest risk. However, residual risk remains.	Food Standards Audit has taken place	3	5	15	3	5	15	<div><div></div></div> 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	Customer satisfaction, balanced budgets, monitoring demand.  Staff wellbeing and stress surveys.  Benchmarking with other local authorities or providers	Ongoing	Alex Fry, Rachael Hind, Nicola Horne, Katherine O'Connor	Ruth Harrell	Scott Senior



ROW NO	RISK REF	DESCRIPTION OF RISK (Risk description should include cause / risk event / consequence and risk category)	LINK TO CORPORATE PLAN PERFORMANCE FRAMEWORK OR BUSINESS PLAN (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 MANAGEMENT CONTROLS AND INTERNAL CONTROL MEASURES (Business improvement actions, controls and reporting on progress)	ASSURANCES ON CONTROLS / MITIGATION (Where we can gain evidence that our controls on which we are placing reliance are effective)	PREVIOUS RESIDUAL RISK RATING			CURRENT RESIDUAL RISK RATING			RAG RATING /CHANGE IN RISK RATING	ACTION PLAN / FUTURE MITIGATION / ASSURANCE PLAN	HOW WILL PROGRESS BE MEASURED (LIST MEASURABLE BENEFITS AND NON-QUANTIFIABLE BENEFITS)	TARGET DATES (or review date if target unknown)	RESPONSIBLE OFFICER(S)	DIRECTOR / ASSISTANT DIRECTOR	RISK CHAMPION
						Feb-17			Aug-17									
						P	I		P	I								
				First Line of Defence - Management Actions	Second Line of Defence - Oversight Functions or Internal / External Audit and Regulator Reviews													
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  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  Risk Category: DEVELOPMENT & REGENERATION	<i>Corporate Plan Performance Framework Outcome - Confident</i>	Modernisation of the Street Scene and Waste Department - implementation of alternate weekly collection	The South West Devon Waste Partnership hold quarterly meetings	3	5	15	3	5	15	<div><div></div><div>A</div></div>	Delivery of alternate weekly collections against adopted business case - monthly monitoring with SWDWP partners with regard to disposal tonnages. Utilisation of commissioned participation survey to target areas that have lower rates of recycling. Investment in recycling campaigns across the city. Introduction of recycling on the go pods.	Modernisation measured against benefits listed on business plan. Delivery against adopted Plan for Waste. Monitoring of tonnages against forecasted disposal amounts	Ongoing	Lou Hayward	Lou Hayward	Gill Peele
10	46  On IRR	<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)  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.  Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING	<i>Corporate Plan Performance Framework Outcome - Pioneering Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus</i>	Staff awareness training has been rolled out to staff  Incident reporting and management in place  Escalation of breaches to MISF and SIRO	Management of Information Security (MISF) Group;  Senior Information Risk Owner (SIRO) in place;  Annual Information Governance report to Audit Committee	4	4	16	4	3	12	<div><div></div><div>A</div></div>	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. Standardised breach management processes distributed to key staff. 2017 saw a decrease in breaches.	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	Ongoing  Ongoing  Ongoing	John Finch	Andrew Hardingham	Aaron Perrin
11	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  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.  Risk Category: DEVELOPMENT & REGENERATION	<i>Corporate Plan Performance Framework Outcome - Confident</i>	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 and has done so for Area 5 to enable sufficient income to be generated to pay for running costs. The Council is continually exploring opportunities for grant funding and other income to develop the site	Growth Board;	3	4	12	3	4	12	<div><div></div><div>A</div></div>	Secure sufficient funding to develop Phase 1 and 2 at South Yard; Council has secured a grant for Growth Deal 2 grant and Growing Places Funding as a loan which will cover Phase 1 development but will not contribute to wider site running costs. A Growth Deal 3 grant bid has not been successful hence alternative Phase 2 funding is being sought. Continue to explore ways of reducing or covering exceptional site running costs: Council has engaged positively with senior MoD and Navy officers to review and challenge future security requirements but at present no confirmed reduction of annual security costs. Eol's being sought for Phase 3 Area 5	When external grant funding is secured to assist with development and income can cover all site running costs.  Number of businesses landing in South Yard.	Ongoing Next review Sept 2017	Patrick Hartop	David Draffan	Gill Peele
12	119	<b>Cladding issues on buildings in Plymouth</b> above 18m that have the potential to contain, or have been identified as containing ACM cladding that has a risk of combustion  Risk Category: COMPLIANCE, REGULATION & SAFEGUARDING	<i>Corporate Plan Performance Framework Outcome - Caring</i>	National guidance has been produced and actioned or communicated by PCC.  A strategic overview on affected buildings has taken place and communication to all relevant building owners.  24 hour patrols and remedial measures have already been carried out on housekeeping and stair protection in some instances.	The responsibility lies with the individual building owners but PCC and Devon and Somerset Fire and Rescue Service have taken the lead on communicating relevant information to all affected properties.  Strategic lead overview (Gold) at PCC with support from DSFRS and the relevant affected building 'responsible person'.	New			2	5	10	<div><div></div><div>G</div></div>	Monitoring of remedial measures by PCC to ensure building owners are carrying out their responsibilities effectively.  Re-cladding on some affected buildings may be necessary.	Internal business process monitoring.  PCC taking a complete overview of monitoring and intervention where necessary.  Possible enforcement action in the future via relevant legislation.	Ongoing	Paul Barnard	Anthony Payne	Gill Peele
13	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  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  Risk Category: DEVELOPMENT & REGENERATION	<i>Corporate Plan Performance Framework Outcome - Growing</i>	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.	Growth Board;  GAME Programme Board;	3	3	9	3	3	9	<div><div></div><div>G</div></div>	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. Starter Homes Land Fund Partnership Authority to work with HCA to bring forward a portfolio of stalled, lapsed and brownfield sites to unlock delivery and accelerate new homes	Regular reports to Housing Needs Working Group and Portfolio Holders.  New homes delivery for first two years of monitoring Plan for Homes (14/15 - 15/16) are 2,215 homes; currently on target to meet 5,000 commitment.	Annual delivery monitoring year end and on going	Paul Barnard	Paul Barnard	Gill Peele



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						Feb-17			Aug-17									
						P	I		P	I								
				First Line of Defence - Management Actions	Second Line of Defence - Oversight Functions or Internal / External Audit and Regulator Reviews													
14	51	<p><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.</p> <p>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.</p> <p>Risk Category: DEVELOPMENT &amp; REGENERATION</p>	<i>Corporate Plan Performance Framework Outcome - Growing</i>	<p>We have put in place a series of economic development measures. These include for People - 1000 Club, Building Plymouth, Urban Enterprise Programme, Manufacturers Challenge.</p> <p>Place regeneration we have undertaken direct development (Hearder Court), started on-site at Oceansgate, signed a City Deal, embarked on Plymouth Science Park phase 5 now open. Inward investment - continued support, two new landings in the city - the Ship (Sittel) and at Turnchapel.</p> <p>Supporting Babcock to grow. 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.</p>	<p>Growth Board;</p> <p>GAME Programme Board;</p>	3	3	9	3	3	9	<div></div> <div>G</div>	<p>Future plans include:</p> <p>Place - development of the History Centre and Quality Hotel site. Exploring development of Colin Campbell Court. Further direct development of South Yard.</p> <p>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.</p> <p>Brexit element of this risk will be considered in line with corporate Brexit risk template.</p> <p>Series of business support projects (growth hubs, start up and advice) commissioned. Launched new STEM strategy</p>	<p>Monitor:-</p> <p>Weekly wage rates, Gross Value Added per hour worked.</p> <p>Job Seeker Allowance claimants.</p> <p>Youth Job Seeker Allowance claimants</p>	Ongoing	Paul Barnard	Paul Barnard	Gill Peele
15	113	<p><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.</p> <p>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</p> <p>Risk Category: OPERATIONAL/SERVICE DELIVERY</p>	<i>Corporate Plan Performance Framework Outcome - Pioneering</i>	<p>Annual IT Health Check</p> <p>Regular vulnerability scans carried out</p> <p>IT Infrastructure patching policy in place</p> <p>Pro-active protective monitoring by Babcock</p>	<p>External Compliance assessment;</p> <p>Management of Information Security (MISF) monitor incidents;</p> <p>Senior Information Risk Owner (SIRO)</p>	2	4	8	2	4	8	<div></div> <div>G</div>	<p>Implement compliance requirements into Delt business as usual - This is a workstream of the information management project</p> <p>Ensure vulnerability scans are conducted and reported to PCC</p> <p>The 2016 IT Health Check has been completed and all vulnerabilities will be addressed by February 2017 in order to meet compliance requirements</p>	<p>Transformation programme monitoring</p> <p>Build into service level reporting</p>	<p>Ongoing</p> <p>Ongoing</p>	John Finch	Andrew Hardingham	Aaron Perrin
16	107	<p><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.</p> <p>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.</p> <p>Risk Category: DEVELOPMENT &amp; REGENERATION</p>	<i>Corporate Plan Performance Framework Outcome - Confident</i>	<p>Cross Party Project Board in place and meeting regularly.</p> <p>Delivery team in place.</p> <p>Gateway review validation undertaken.</p> <p>Tender evaluation, moderation is resourced and on schedule.</p> <p>9 workstreams established with lead officers.</p> <p>Programme Risk Register developed from risk workshop and monitored.</p>	<p>Highway Procurement Partnership Board</p>	3	4	12	Delete			<div></div> <div>D</div>	<p>Implementation of Gateway Review recommendations.</p> <p>Mitigation measures in place for key risks.</p>	<p>There is a Programme Plan in place with milestones reviewed by the Project Board which comprises of Members and Senior Officers. In addition, critical milestones will be 'Gated' as part of the project management process and externally reviewed.</p> <p>Currently 3 months into agreed plans for the mobilisation of SWH and demobilisation of Amey.</p> <p>Gateway 4 due Feb 2017, current project status Amber/Green, expected to be on track and similar status post review.</p>	<p>BID Award - Sept 16</p> <p>Mobilisation - Oct 16</p> <p>New contract - Mar 17</p>	Adrian Trim	Lou Hayward	Gill Peele
17	108	<p><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.</p> <p>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</p> <p>Risk Category: DEVELOPMENT &amp; REGENERATION</p>	<i>Corporate Plan Performance Framework Outcome - Growing</i>	<p>The Project remains on track, with very successful assembling of funding over 2016.</p> <p>The project has successfully procured the contactor and sub-contractor pricing is on-going; enabling works have started. The risk remains similar as funding secured has reduced risk whilst costs in the construction market have increased</p>	<p>Destination Plymouth/Culture Board;</p> <p>Programme Board;</p>	2	4	8	Delete			<div></div> <div>D</div>	<p>Funding streams being sought include Coastal Communities, Arts Council bidding for NPO. Value engineering in tender process</p>	<p>When appropriate funding is in place and final tenders are agreed at financial close in April 2017</p>	Spring 2017	Paul Brookes	David Draffan	Gill Peele

**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Integrated Commissioning Risk Register Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	14 September 2017
<b>Cabinet Member:</b>	Councillor Darcy
<b>CMT Member:</b>	Andrew Hardingham (Interim Joint Strategic Director Transformation and Change, PCC) Hugh Groves (Chief Finance Officer, CCG)
<b>Authors:</b>	David Northey, Head of Integrated Finance, PCC Ben Chilcott, Chief Finance Officer, NEW Devon CCG
<b>Contact details:</b>	<a href="mailto:david.northey@plymouth.gov.uk">david.northey@plymouth.gov.uk</a> Tel: 01752 305428 <a href="mailto:ben.chilcott@nhs.net">ben.chilcott@nhs.net</a> Tel: 01752 398765
<b>Ref:</b>	CRM/MJH
<b>Key Decision:</b>	No
<b>Part:</b>	I

**Purpose of the report:**

This report provides a summary of the Integrated Risk Management Framework between Plymouth City Council and NHS Northern Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG) to adopt an integrated approach to the management of risk.

Appendix A to the report provides the latest integrated commissioning risk register.

**The Corporate Plan 2016 - 19:**

The Integrated Commissioning Risk Register includes links to the Corporate Plan objectives – monitoring of control action for risks therefore contributes to the delivery of both organisations core objectives.

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

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

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

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

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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 integrated commissioning risk 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](#).  
Commissioning an Integrated System for population Health & Wellbeing.

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**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	lt/288 70/2	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Andrew Hardingham, Interim Joint Strategic Director Transformation and Change													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

## **1.0 Introduction**

- 1.1** As part of the Integrated Health and Wellbeing Programme, Plymouth City Council and NHS Northern Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG) formed an integrated commissioning function on 1 April 2015.
- 1.2** The Integrated Health and Wellbeing programme provides a collaborative, integrated and strategic approach to how NEW Devon CCG and Plymouth City Council commission and deliver services, with the aim of improving patient/service user experience and improving outcomes for residents in Plymouth from the resources available.

## **2.0 Background**

- 2.1** A key component to the governance of the integrated health and wellbeing programme and the integrated fund has been the implementation of a formal Finance and Assurance Review Group (FARG) which meets on a monthly basis working to the terms of reference, as approved by the Integrated Commissioning Board.
- 2.2** An Integrated Risk Management Framework has been drawn up between the partner organisations, overseen by FARG, to ensure there is an integrated approach to the management of risk and to integrate risk into the overall arrangements of the pooled fund.
- 2.3** The framework document is attached at Appendix B.

## **3.0 Integrated Commissioning Risk Register**

- 3.1** NEW Devon CCG's Head of Corporate Governance and Plymouth City Council's Corporate Risk Advisor have carried out a review of the risks contained within their respective organisational risk registers which is shown at Appendix A.
- 3.2** The risk register was reviewed by the FARG joint working technical group on 21 August 2017.
- 3.3** Any risk relating to integrated health and wellbeing commissioning strategy with a risk appetite score in the amber and red category from either organisation's risk register will be included in the integrated risk register for review by FARG.
- 3.4** FARG will then consider whether further assurance is required as part of their formal governance role which has been approved by the Integrated Commissioning Board.
- 3.5** The integrated risk register will be reviewed by FARG on a quarterly basis.

## **4.0 Conclusion**

- 4.1** Both Partners have embedded risk management strategies in place that support the integrated approach to managing risks to the shared fund and will ultimately include risks to the wider commissioning and operational areas.

- 4.2** Risk management is an integral part of good corporate governance. This framework provides the foundation and a common infrastructure for delivering, maintaining and governing risk management within the integrated commissioning function.



	REF	DESCRIPTION OF RISK (Risk description should include cause/risk event/consequence)	LINK TO CORPORATE / SHARED OBJECTIVES	CONTROLS	PROBABILITY	IMPACT	RISK SCORE	PROBABILITY	IMPACT	RISK SCORE	ACTION PLAN / FUTURE MITIGATION / OPPORTUNITIES TO BE EXPLORED	HOW WILL PROGRESS BE MEASURED / ASSURANCE GIVEN	TARGET DATE (or review date if target)	RESPONSIBLE OFFICER / RISK OWNER	DIRECTOR / ASSISTANT DIRECTOR / EXECUTIVE
					Jun-17			Aug-17							
I	PCC SRR Updated Aug 17	<p>Inability to meet the longer term target budgets given the size of the resource reductions and increasing cost pressures as detailed in our Medium Term Financial Strategy 2016-2020. 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</p> <p>Risk Category: FINANCIAL</p>	<p>Corporate Plan Performance Framework Outcome - Pioneering - Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus.</p> <p>One Budget - Adapt a single system financial control total and apply our shared resources in the most effective and efficient way</p>	<p>The Council is expected to approve a balanced 2017-18 budget in February following the identification of additional efficiencies.</p> <p>The MTFS will be updated at CMT quarterly.</p> <p>PCC Finance and People Directorate SMT are working in collaboration with the NHS Success Regime to ensure the Plymouth Integrated Fund is not compromised.</p> <p>CMT and Cabinet will continue to receive monthly monitoring reports identifying risks and pressures leading to the consideration of proposals for corrective action.</p> <p>Finance &amp; Assurance Review Group; Integrated Health &amp; Wellbeing Board; Joint Integrated Commissioning Risk Register; Internal Audit Reviews by DAP and Audit SW.</p>	4	5	20	4	5	20	<p>Quarter one update has been completed and presented to CMT. In July a full review was undertaken with a draft MTFS presented to CMT in August and Scrutiny in September 2017. This will roll forward the MTFS for 2016-19 to 2021-22.</p> <p>The position for 100% business rates retention is on hold until the government confirm their plans.</p> <p>Modelling has taken into account the impact of Business Rates revaluation and the impact of new business rates appeals rules. Council Tax base assumptions have been updated.</p> <p>Work with Arlingclose (our treasury management advisors) to fully understand the treasury management impact of Britain's exit from the European Union and other treasury management opportunities.</p>	<p>Development MTFS is a key priority for CMT. Raised awareness and ownership by SMT.</p> <p>Savings plans are being reviewed and alternative plans being developed and considered.</p> <p>Protect PCC's funding entitlements and maximise the position under existing and any further proposals for business rates retention.</p> <p>Develop countermeasures and alternative investments.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	Paul Looby	Andrew Hardingham
I.1	NEW Devon CCG 371 Updated Aug 17	<p>Overall corporate risk of achieving control total - CCG share of System control total at £78.5m is £61.1m higher than the control total set by NHSE at £17.4m.</p> <p>Risk Category: FINANCIAL</p>	<p>Objective: 1. Be financially sustainable Develop and deliver its approved financial plan for 2016/17 (CCG lives within its approved control total);</p> <p>Through the Devon Sustainability and Transformation Plan (STP) develop more detailed proposals to deliver safe, financially sustainable and integrated services provided to the population of NEW Devon between 16/17 and 20/21</p>	<p>(1) Detailed 17/18 CCG internal planning process to ensure robust assessment of expenditure requirements</p> <p>(2) joined up system ways of working with a system wide savings plan</p> <p>(3) intention to agree block contracts with the main acute and mental health providers to bring certainty to in year expenditure</p>	4	4	16	4	4	16	<p>(1) Detailed 17/18 CCG internal planning process to ensure robust assessment of expenditure requirements</p> <p>(2) joined up system ways of working with a system wide savings plan</p> <p>(3) intention to agree block contracts with the main acute and mental health providers to bring certainty to in year expenditure</p>	<p>System leaders sighted on issue and are collectively responding to challenge that avoids any surprises.</p>	Mar 18 (qtrly reviews)	Kevin Wheller	Hugh Groves
I.2	NEW Devon CCG 317 Updated Aug 17	<p>There is a risk that the CCG will breach delivery of the 2020 Sustainability and Transformation Plan (STP) if agreement cannot be reached on the budget allocations which will impact on the CCG's financial plan and assurance status.</p> <p>Risk Category: FINANCIAL</p>	<p>Objective: Be financially sustainable Develop and deliver its approved financial plan for 2016/17 (CCG lives within its approved control total);</p> <p>Through the Devon Sustainability and Transformation Plan (STP) develop more detailed proposals to deliver safe, financially sustainable and integrated services provided to the population of NEW Devon between 16/17 and 20/21</p>	<p>The CCG continues to engage with the STP and lead the system wide financial planning process to ensure that adequate plans are in place to deliver the level of system change required to achieve financial sustainability by 2020. Progress will continue to be monitored against plan so the improvement trajectory is clearly understood and actions taken as necessary to ensure delivery</p>	4	4	16	3	4	12	<p>STP Plan in place and due for refresh during 2017/18.</p> <p>System signed MOU in place confirming commitment to system ways of working and STP. Consolidated and aligned system wide operational plans in place for 2017/18 and continued negotiations on going with regulators regarding approval.</p>		Quarterly reviews	Hugh Groves	Hugh Groves
2	PCC Op and SRR Updated Aug 17	<p>Being unable to deliver Council services within the envelope of the resources provided in 2017/18 leading to negative impact on budgets, loss of reputation, negative impact on front line services and a negative opinion from external audit.</p> <p>Risk Category: CHANGE</p>	<p>Corporate Plan Performance Framework Outcome - Pioneering - Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus.</p> <p>One Budget - Adapt a single system financial control total and apply our shared resources in the most effective and efficient way</p>	<p>Progress reported within monthly finance reporting to cabinet members and scrutiny board.</p> <p>Improved Member engagement in Budget process and earlier in MTFP setting process by having regular Member briefings.</p> <p>Budget presented to senior officers and members in scoreboard format, delivering greater transparency and challenge.</p> <p>Regular project accounting reports to the Transformation Portfolio Board and the Transformation Portfolio Review Group.</p> <p>Budget sessions at DMTs.</p>	4	4	16	4	4	16	<p>Quarter one budget monitor has identified a challenging in year position. CMT reviewing in detail all budgets with action plans required in August to address in year pressures</p>	<p>Better return on the investment portfolio.</p> <p>Identification of departmental action plans.</p> <p>Improved efficiency and reduced costs.</p> <p>Increase in successful grant bids.</p> <p>Reduced contract costs from procurement review.</p> <p>Improved efficiency and reduced costs.</p>	<p>Ongoing</p> <p>Qtly MTFS updates</p> <p>Qtly reviews</p> <p>Qtly reviews</p> <p>Ongoing</p>	Paul Looby / Helen Cocks	Andrew Hardingham / Dawn Aunger

3	PCC Op Updated June 17	<p>Failure to protect Vulnerable Adults or Children from risk of harm, resulting in a significant incident</p> <p>Risk Category: LEGAL, COMPLIANCE &amp; SAFEGUARDING</p>	<p>Corporate Plan Performance Framework Outcome - Caring - Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it</p> <p>Integrated Commissioning System Design Group - Children &amp; Young People / Community</p> <p>One Standard - Deliver safe, effective, caring, responsive and well led services across the whole of the system</p>	<p>Quality Standards built into contracts. Learning from Serious Case Reviews. Plymouth Safeguarding Adults Board (PSAB) Action Plan, Safeguarding training</p>	4	4	16	4	4	16	Annual PSAB Action Plan to be updated	Performance Reporting (Quarterly) at PSAB	Quarterly	Craig McArdle / Gary Walbridge	Carole Burgoyne
3.1	New Devon CCG 46 Updated Aug 17	<p>The CCG is at risk in respect to either the overpayment or inappropriate funding of Continuing Health Care patients. Both those who should have been assessed as no longer requiring support and in respect to the potential unmet financial needs of those whose condition has worsened and therefore require an increased financial package to support them appropriately. This funding risk will also include legacy and retrospective payment issues.</p> <p>Risk Category: LEGAL, COMPLIANCE &amp; SAFEGUARDING</p>	<p>I- Be financially sustainable</p>	<p>KPI's agreed with providers. Trajectories and development plans to achieve full compliance will be delivered by Oct 2017. Care track database will be used to monitor and track performance in line with national standards of CHC. Data cleansing is being completed as a priority to ensure data accuracy. However there are on-going decisions with the organisation to agree alternative plans to the backlog Monitored through the CHC CC and data book. Training workshop being held to review and target training to reduce no of checklists especially timing of completion. Linking to urgent care agenda to understand process and delays and timings of assessments.</p>	4	4	16	4	4	16		<p>Third phase of outsourcing in May 17 has been actioned. It is intended that the backlog of assessments and reviews will be cleared in by Oct 2017. Delivery of the Quality Premium is seen as a priority for 2017/18-but unlikely to deliver because of the challenges outlined above. To aim to 200 assessments per month</p>	Ongoing	Lorna Collingwod-Burke	Lorna Collingwood-Burke
4	PCC Op Updated June 17	<p>Failure to support people made homeless as a direct result of the Local Housing Allowance and Welfare Reform changes leads to distress of those affected.</p> <p>Risk Category: LEGAL, COMPLIANCE &amp; SAFEGUARDING</p>	<p>Corporate Plan Performance Framework Outcome - Caring - Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it</p> <p>One Budget - Adapt a single system financial control total and apply our shared resources in the most effective and efficient way</p>	<p>Continue to work with partners to supply services to customers in Housing Options. Temporary accommodation action plan. Use of Homelessness prevention fund to mitigate changes</p>	4	4	16	4	4	16	<p>Temporary Accommodation Plan. Housing Service Delivery Plan to provide further mitigation. Working with rough sleep strategy group to explore additional work to support rough sleepers off the streets</p>	<p>Delivery Performance Financial Results. Budget monitoring Scorecard</p>	Ongoing	Matt Garrett	Carole Burgoyne
5	PCC Strategic Updated Aug 17	<p>Failure to reduce Health Inequalities 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.</p> <p>Risk Category: LEGAL, COMPLIANCE &amp; SAFEGUARDING</p>	<p>Corporate Plan Performance Framework Outcome - Caring Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it</p> <p>Integrated Commissioning System Design Group - Wellbeing</p> <p>One Standard - Deliver safe, effective, caring, responsive and well led services across the whole of the system</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 seeks to embed an understanding and focus to reduce health inequalities reaching thousands of employees and children and young people via schools</p>	4	4	16	4	4	16	<p>Persistent action across the Council required at many levels to tackle inequalities.</p> <p>Continue to work with employers and schools to influence healthier lifestyles.</p>	<p>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.</p>	Ongoing	Sarah Lees / Rob Nelder	Ruth Harrell



6	PCC Op Updated June 17	<p>Increase in the number of looked after children and those subject to a Child Protection Plan leading to cost pressures on independent placements, staffing and resources</p> <p>Risk Category: LEGAL, COMPLIANCE &amp; SAFEGUARDING</p>	<p>Corporate Plan Performance Framework Outcome - Caring - Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it</p> <p>Integrated Commissioning System Design Group - Children &amp; Young People</p> <p>One Standard - Deliver safe, effective, caring, responsive and well led services across the whole of the system</p>	<p>Service redesign implemented including invest to save case for increase in number of Social Workers. This should result in embedding Plymouth best practice standards to see sustained reduction in numbers of children in care and subject to a Child Protection Plan</p>	4	4	16	4	4	16	<p>Improvement Plan and priorities are informed by self assessment</p>	<p>Delivery Performance</p>		<p>Alison Botham</p>	<p>Carole Burgoyne</p>
7	PCC Strategic and NEW Devon CCG (operation nal risk) Updated Aug 17	<p>Risk to vulnerable children, young people and families by not delivering early intervention and prevention and responding as soon as possible to their needs and promote better long term life outcomes.</p> <p>Risk Category: LEGAL, COMPLIANCE &amp; SAFEGUARDING</p>	<p>Corporate Plan Performance Framework Outcome - Caring Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it</p> <p>Integrated Commissioning System Design Group - Children and Young People</p> <p>One Standard - Deliver safe, effective, caring, responsive and well led services across the whole of the system</p>	<p>Children &amp; Young People Service Transformation Project implemented and seen impact of the gateway;</p> <p>Plan for Child Poverty 2016-2019</p> <p>The Children and Young People's Commissioning Plan which is being overseen by the CYP System Design Group</p>	4	4	16	4	4	16	<p>The review of the implementation of the CYPFs transformation has now begun and will report in October 2017.</p> <p>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.</p>	<p>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</p>	Ongoing	<p>Tracey Green / Siobhan Wallace</p>	<p>Alison Botham / Judith Harwood</p>
8	PCC SRR Updated Aug 17	<p>Risk of increased poverty/hardship as a result of the impact of Welfare Reform and reduced funding for discretionary welfare funds</p> <p>Risk Category: FINANCIAL</p>	<p>Corporate Plan Performance Framework Outcome - Caring - Respecting people's wishes; Confident - Council decisions driven by citizen need</p> <p>One Budget - Adapt a single system financial control total and apply our shared resources in the most effective and efficient way</p> <p>Integrated Commissioning System Design Group - Wellbeing</p>	<p>Welfare Reform Framework adopted.</p> <p>Impact of welfare reform continues to be monitored and discretionary welfare schemes reviewed.</p> <p>Plans implemented and strategies in place to create jobs.</p> <p>Support continues to Credit Unions and other financial inclusion initiatives.</p> <p>Local support agreement for Universal Credit claimants</p> <p>Adoption of the Child Poverty Action Plan in October 2016</p>	4	4	16	4	4	16	<p>Officers working group across depts to measure impact, consider response and coordinate actions. Review and recommission advice services. Regular review of local Council Tax Support Scheme. 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.</p>	<p>Welfare Response Group performance managing implementation of action plan. Contract monitoring of commissioned Advice Services. Customer satisfaction rates. Economic Performance Monitoring arrangements. Monitoring progress of the child Poverty Action Plan Outcomes</p>	<p>Ongoing</p> <p>Oct 17</p> <p>Ongoing Annually Annually</p>	<p>Darin Halifax</p> <p>Rachel Silcock</p> <p>Emma Rose</p> <p>David Draffan</p> <p>Judith Harwood</p>	<p>Giles Perritt</p>
9	PCC Op Updated June 17	<p>Increased and sustained pressure on Adult Social Care budget due to increased numbers of people or increased complexity of need. As this is a statutory service and largest single budget it could have a significant impact on the Authorities overall financial position</p> <p>Risk Category: FINANCIAL</p>	<p>Corporate Plan Performance Framework Outcome - Caring - Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it</p> <p>Integrated Commissioning System Design Group - Community / Enhanced &amp; Specialised Care</p> <p>One Budget - Adopt a single system financial control total and apply our shared resources in the most effective and efficient way</p>	<p>2016/17 Measures in place with actions built into PCH contract.</p> <p>Budget containment Action Plan</p>	4	4	16	4	4	16	<p>Risk to be continued to be monitored and additional measures to be brought forward in year if risk materialises</p>	<p>Financial reporting (Monthly)</p>	<p>Monthly</p>	<p>Craig McArdle / Gary Walbridge</p>	<p>Carole Burgoyne</p>
10	PCC Op Updated June 17	<p>Failure to deliver public health commissioned services within the reduced public health grant allocation requiring a £1.293 millions savings plan in year for 2016/17</p> <p>Risk Category: FINANCIAL</p>	<p>Corporate Plan Performance Framework Outcome - Pioneering - Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus</p> <p>One Budget - Adapt a single system financial control total and apply our shared resources in the most effective and efficient way</p>	<p>Close contract and budget monitoring</p>	4	4	16	4	4	16	<p>Negotiating reduced contract values with current service providers and working collaboratively to co-design services to move forward to deliver prioritised outcomes. Majority of budget savings have been contractualised. Outstanding risk of £142,000 due to non-delivery of savings originally allocated against substance misuse/complex needs. Meet in current year from reserve and look to contractualise in 17/18. Not pursued in year due to increased drug related deaths and vulnerability of primary care services</p>	<p>Reduced contract costs. Maintained improvement in health of population. Monthly reviews.</p>	Ongoing	<p>Sarah Lees</p>	<p>Ruth Harrell</p>

11	PCC Op Updated June 17	<p>Failure to maintain appropriate Children's Social Care caseloads</p> <p>Risk Category: LEGAL, COMPLIANCE &amp; SAFEGUARDING</p>	<p>Caring - Children, young people and adults live in healthy, safe and aspiring communities and are supported by high quality health and care services for those who need it when they need it</p> <p>One Standard - Deliver safe, effective, caring, responsive and well led services across the whole of the system</p>	<p>Overall we have seen a reduction in caseloads that we expect to be maintained. However, in one service area - PRAS we have now identified a number of issues in relation to the approach and detail of how changes were implemented that has resulted in an increase in caseloads. Detailed review work has been undertaken and a plan is now in place to ensure reduction in caseload in PRAS.</p>	3	4	12	4	4	16	<p>Overall invest to save case and post transformation implementation continues to see impact. A specific action plan has been agreed for PRAS with evaluation at the end of Q1 to inform any further necessary action</p>	<p>Delivery performance</p>	Ongoing	Alison Botham	Carole Burgoyne
12	NEW Devon CCG Risk 328 Updated Aug 17	<p>There is a risk that the CCG will fail to meet its requirements to have its assurance status restored due to non-delivery of one or more of the NHS England components, which will impact on the CCG's reputation and public confidence.</p> <p>Components include: Domain 1 - Better Health Domain 2 - Better Care Domain 3 - Sustainability Domain 4 - Leadership</p> <p>Risk Category: LEGAL, COMPLIANCE &amp; SAFEGUARDING</p>	<p>5 - Deliver measurable results - CCG Assurance Status Restored</p>	<p>Action plans are monitored, maintained and updated quarterly (as a minimum) and performance against assurance requirements are presented to Governing Body no less than quarterly.</p>	New			3	4	12	<p>We have regular quarterly meetings in place with NHS England.</p>	<p>Assurances are provided to Governing Body through regular reports following NHS England updates. Recent report states that the CCG is improving - directions aim to be lifted by June 2018 as anticipation that CCG will achieve compliance before this date.</p>	30/06/2018	Clare Doble	Annette Benny
13	PCC SRR and NEW Devon CCG Updated Aug 17	<p>The organisation not meeting its obligations to keep citizen data secure, or provide and display information in line with statutory requirements. The consequence can be a financial penalty and/or reputational damage resulting in loss of trust in the organisation which will affect the ability of the organisation to work efficiently and effectively with the public, contractors or partner organisations</p> <p>Risk Category: LEGAL, COMPLIANCE &amp; SAFEGUARDING</p>	<p>Corporate Plan Performance Framework Outcome - Pioneering Enable quality services that are recognised as innovative; achieve value for money and exhibit an embedded customer focus</p> <p>One Standard - Deliver safe, effective, caring, responsive and well led</p>	<p>Staff awareness training has been rolled out to staff</p> <p>Incident reporting and management in place</p> <p>Escalation of breaches to MISF and SIRO</p>	4	4	16	4	3	12	<p>Roll out staff awareness training to all staff.</p> <p>Implement greater reporting consistency within directorates.</p> <p>Implement improved incident analysis within the Service Desk</p> <p>Ensure full corporate attendance for MISF Improved contract management with partners</p> <p>Implement greater reporting consistency within directorates</p> <p>Implement improved incident analysis within the Service Desk</p> <p>Ensure full corporate attendance for MISF.</p> <p>Standardised breach management processes distributed to key staff.</p>	<p>Reports from HR training detailing completion statistics</p> <p>Improved breach reports distributed to directorates</p> <p>Detailed breach reports for partners and escalation at contract management meetings</p> <p>Reporting of non-attendance to directors</p>	Ongoing	John Finch	Andrew Hardingham

Residual Risk Level		Low	Low/Med	Medium	High	Very High
Plymouth City Council Residual Risk Score		1-10	12	15-16	20	25
NEW Devon CCG Residual Risk Score		1-3	4-6	8-12	15-20	25
Risk Category	Strategic					
	Change					
	Legal, Compliance & Safeguarding					
	Financial					
	Operations					
	Information & Technology					
	People					
	Reputational					

**PLYMOUTH CITY COUNCIL**

<b>Subject:</b>	Internal Audit – Follow-Up Work
<b>Committee:</b>	Audit Committee
<b>Date:</b>	14 September 2017
<b>Cabinet Member:</b>	Councillor Darcy
<b>CMT Member:</b>	Andrew Hardingham (Interim Joint Strategic Director for Transformation & Change)
<b>Author:</b>	Robert Hutchins, Head of Devon Audit Partnership
<b>Contact details:</b>	Tel: 01752 306710
<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 2016 - 19:**

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

**Recommendations and Reasons for recommended action:**

It is recommended that:-

1. 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 2015.

**Published work / information:**

Internal Audit Annual Report 2016/17 – June 2017

### Background papers:

None

**Sign off:**

Fin	pl1718.89	Leg	lt/28837	Mon Off	lt/dvs/28837/2	HR		Assets		IT		Strat Proc
Originating SMT Member:            Andrew Hardingham, Interim Joint Strategic Director for <div style="text-align: right;">Transformation and Change</div>												
Has the Cabinet Member(s) agreed the content of the report?												

## Internal Audit Report

### Follow Up Report on Areas Requiring Improvement

Plymouth City Council

*September 2017*

Robert Hutchins  
Head of Audit Partnership

## **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 2016/17, 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 “improvements 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 2016/17; ‘Significant Assurance’.

## **Progress Impact Assessment**

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The progress made means the previously identified risks are being managed 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.

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 overall good progress is being made against the agreed recommendations following our initial work and this is shown in the direction of travel chart in Appendix A of this report.

It should be noted that where the opinions remain unchanged at this time, this does not reflect lack of action. 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.

During our initial audit work we 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 2016/17, were identified as 'improvements required'. The appendix shows the original and current assurance opinions 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 2016-17 presented to the Committee in June 2017.

### **Process**

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For each service area where an overall audit opinion of "improvements required" was provided at the end of 2016/17 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 2016-17

### 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


### Direction of Travel Key (RAG Rating)


 Green – recommendations implemented, assurance opinion upgraded

 Amber – implementation of recommendations continues and / or some issues remain

 Red – significant delays or issues to address

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Direction of Travel
		Audit Assurance Opinion as at 31 March 2017	Updated Audit Assurance Opinion as at XX August 2017	Commentary and residual risk	
People					
Independent Placements (Children)	ANA - Medium	Improvements Required	Good Standard	<p>Shortly after the agreement of the action plan and issue of the final report, the Admin Support Manager (ASM) left the Authority and it was not until the new ASM came into post in April that the recommendations started to be implemented.</p> <p>The new ASM has worked with Devon Audit Partnership (DAP) to gain an understanding of the original audit report and is committed to implementing recommendations as quickly as possible.</p> <p>Good progress has been made and although there are a few recommendations left to be implemented we are of the view that the assurance opinion can be updated to Good Standard.</p>	
Retained Client, Deprivation of Liberty Safeguards (DoLS) –	ANA - Medium	Improvements Required	Improvements Required	Positive action has been taken to implement all of the recommendations made in the original audit report but due to the sheer volume of DoLS applications there remains a backlog of	

Statutory Compliance				<p>cases. Actions taken include:</p> <ul style="list-style-type: none"> <li>• The use of a prioritisation tool,</li> <li>• Analysis of high priority cases used to inform planning,</li> <li>• Analysis of costs associated with increasing performance and managing risk,</li> <li>• Additional staff allocated by Livewell to undertake Best Interest Assessments,</li> <li>• Training for all new staff undertaking Best Interest Assessments.</li> </ul> <p>It is important to recognise that other Councils are in a similar situation with a current a backlog of more than 100,000 cases nationwide. Whilst the Authority is managing and monitoring the applications to the best of its ability, it is not possible to award a "Good Standard" when the Authority is not able to meet its statutory requirements.</p> <p>Plans that were drawn up by the Law Commission for a full-scale replacement to the DoLS have been put on hold until at least 2019 and emergency measures are now under consideration.</p>	
Direct Payments (Pre-Paid Cards)	SRR – Amber ANA – High Client Request	Improvements Required	Not Assessed	<p>Previous work on the use of pre-paid cards resulted in an action plan to be managed within PCC adult social care. The subsequent transfer of adult social care to Livewell Southwest removed the direct oversight for the implementation of a number of the original recommendations.</p> <p>This has led to a project group being set up to look at the end to end processes from support plan through to card closure and we have time in the 2017/18 audit plan to undertake a full audit review of the end to end processes. Work is planned to commence in quarter 3.</p>	N/A

Place					
Trade Waste	ANA – Medium Client Request	Improvements Required	Improvements Required	<p>The most significant areas of concern arising at the time of the initial audit related to significant weakness with invoicing arrangements, with unacceptable delays in generating invoices appearing to be commonplace. In particular, the invoicing relating to a 3rd party contractor were four months behind and it appeared that the relationship between the Council and contractor had never been formalised.</p> <p>We are pleased to report that the current invoicing arrangements in operation appear to be greatly improved. A fresh sample of new accounts were tested as part of this follow up and in all cases it was found that invoices were raised in a timely manner. In respect of the 3<sup>rd</sup> party contractor, all outstanding invoices have been raised and settled and the commercial relationship terminated.</p> <p>The service still lacks documented procedures and the systems in operation to manage workloads and record information are inefficient with information needing to be duplicated across a series of databases and spreadsheets.</p> <p>However the implementation of a new structure should enable these matters to be addressed and ensure that performance measures are set and reported upon, and data is captured and analysed, in order to drive performance and service improvement.</p>	

## 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**

<b>Subject:</b>	Internal Audit – Progress Report
<b>Committee:</b>	Audit Committee
<b>Date:</b>	14 September 2017
<b>Cabinet Member:</b>	Councillor Darcy
<b>CMT Member:</b>	Andrew Hardingham (Interim Joint Strategic Director for Transformation & Change)
<b>Author:</b>	Robert Hutchins, Head of Devon Audit Partnership
<b>Contact details:</b>	Tel: 01752 306710
<b>Ref:</b>	AUD/RH
<b>Key Decision:</b>	No
<b>Part:</b>	1

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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 2017 and based on work performed to date during 2017/18, 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 2016 - 19:**

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.

Fin	pl1718.88	Leg	lt/28837	Mon Off	lt/dvs/28837/2	HR		Assets		IT		Strat Proc
Originating SMT Member:                      Andrew Hardingham, Interim Joint Strategic Director for <div style="text-align: right;">Transformation and Change</div>												
Has the Cabinet Member(s) agreed the content of the report?												



## Internal Audit

# Internal Audit Progress Report 2017-18

## Plymouth City Council Audit Committee

September 2017

Robert Hutchins  
Head of Audit Partnership

## 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 18 August 2017 against the internal audit plan for the 2017/18 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 (Interim Joint Strategic Director for Transformation & Change) 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 18 August 2017 has included completion of work carried forward from 2016/17, 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 2017 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 2017/18, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.

## **Inherent Limitations**

The opinions contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

## **Recommendations**

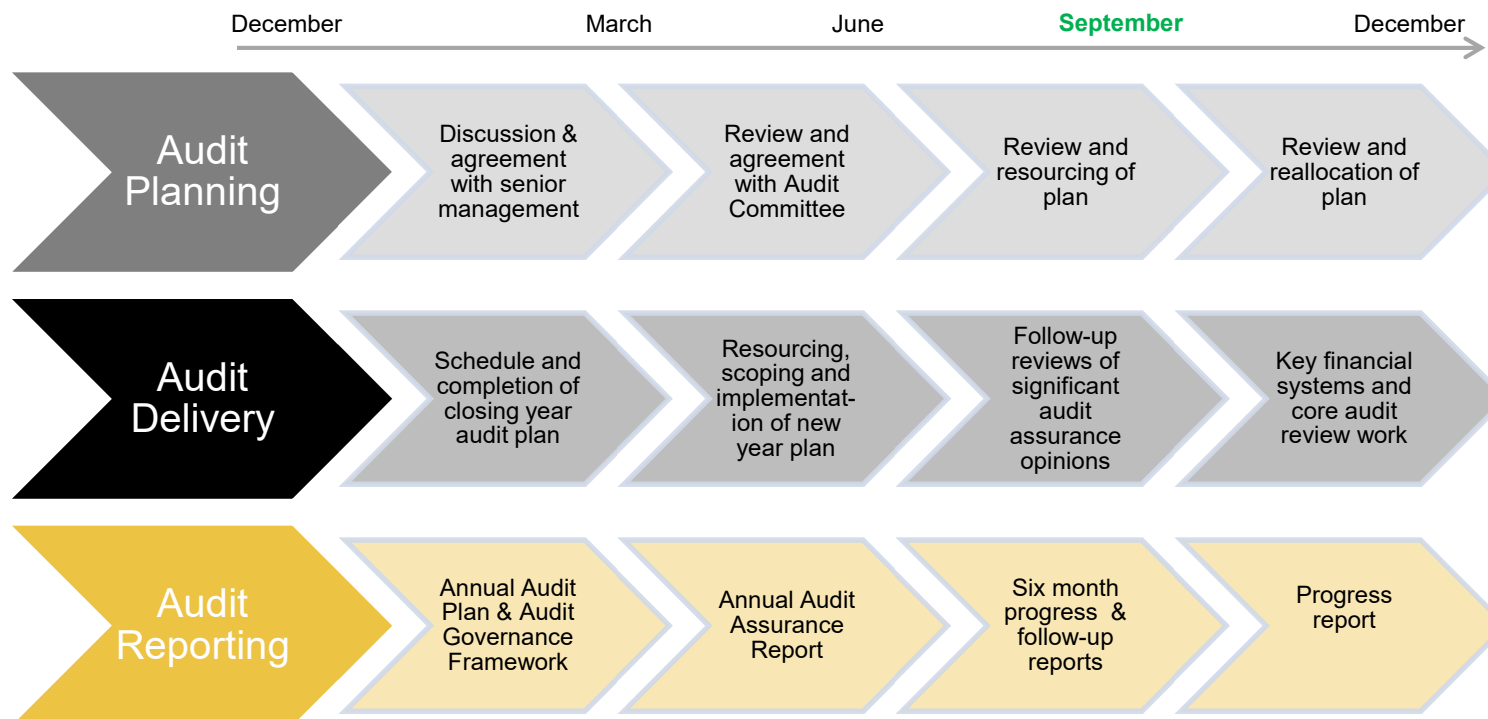
It is recommended that the report be noted.

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

## **Acknowledgements**

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

## Our Audit Team and the Audit Delivery Cycle



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Date	Activity
Dec / Jan 2017	Directorate planning meetings
March 2017	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year-end field work completed
Apr / May 2017	Annual Performance reports written
June 2017	Annual Internal Audit Report presented to Audit Committee
Sept 2017	Follow –up work of previous years audit work commences
Sept 2017	Follow-up and progress reports presented to Audit Committee
Dec 2017	Six month progress reports presented to Audit Committee
Mar 2018	2016 Internal Audit Plan preparation commences

## Appendix 1 – Assurance Opinion and extract Executive Summaries – Up to 18 August 2017

### Risk Assessment Key

SRR /ORR – Local Authority Strategic or Operational Risk Register reference

ANA - Audit Needs Assessment risk level

Client Request - no risk assessment information available

### Assurance Progress Key Where Report Issued

Green – action plan agreed with client or 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



### Assurance Progress Key For Project Work



Green – progressing well

Amber – continuing to progress but some issues to address




Red – significant delays or issues to address



Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>Transformation and Change</b>			
<b>Core Assurance – Key Financial System</b>			
The key financial reviews will be commenced in the second half of 17/18			
<div> <div> ➤ 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> </div> <div> ➤ Treasury Management ANA – Medium</div> <div> ➤ I.T.Systems ANA - High</div> </div>			
<div> <div> ➤ Academy Revs &amp; Bens: <ul style="list-style-type: none"> <li>❖ Housing Benefits ANA - High</li> <li>❖ Council Tax ANA - Medium</li> <li>❖ Business Rates NNDR ANA - Medium</li> </ul> </div> <div> ➤ iTrent – Payroll ANA - Medium</div> </div>			
<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> SRR - Amber ANA – High	Status: On-going	DAP continues to provide “trusted advisor” support to the Information Lead Officers Group (ILOG) and has regular contact with both the Council’s Corporate Information Manager and Corporate Records Manager. DAP continue to monitor progress against recommendations made in its 2016/17 Information Management report and has issued a Situation Report to capture progress and current challenges facing the Council in this area.  The Council is facing many challenges in the form of ever increasing cyber security threats, managing its data effectively and compliantly and, the pending General Data Protection Regulation (GDPR). Excellent work continues to be conducted by ILOG, the Information Governance Manager and the Corporate Records Manager in helping the Council meet	



Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>these challenges.</p> <p>It remains essential that the Information Management Project is successfully delivered. Management should support the cultural change required to embed effective information asset ownership within the Council, without which the benefits of the technical and procedural improvements will not be fully realised. A "Better Information" strand has now been created to support the Way We Work Project and its initial membership is considered appropriate. Internal Audit is to contribute as required.</p>	
HR/Payroll System ANA – High	Status: On-going	<p>Work has been conducted to support the HR/ Payroll Service in their efforts to improve system performance and in confirming key control requirements for the implementation of Schools Self Service functionality. The introduction of increased system memory has not produced results as expected and a meeting is to be held with the software suppliers, to try to get a satisfactory resolution to performance limitations being experienced.</p> <p>Further work is to be conducted to revisit requirements for system management/ audit logs which potentially impact performance and remain a challenge to ensure balance between an appropriate level of log quantity and detail and, any conflicts with performance of capacity.</p>	
<p>The following reviews will be commenced in the second half of 17/18</p> <ul style="list-style-type: none"> <li>➤ ICT – Cyber Security SRR – Amber, ANA - High</li> <li>➤ Retained Functions - IT Service Strategy &amp; Design ANA - Medium</li> </ul>			
<b>Transformation &amp; Change – Strategic and Operational</b>			
Housing Benefits Overpayments ORR – Amber ANA – High Client Request	<p>Improvements Required</p> <p>Status: Draft</p>	<p>Housing Benefit debt recovery and write off procedures exist and are adhered to. In the cases subject to audit testing debt had been pursued in accordance with defined procedures and utilised appropriate recovery methods.</p> <p>A diary date system is in use to monitor and review holds on recovery. Whilst this appears to be working well for recent debt but does not appear to have addressed the volume of holds on aged debt and this needs to be addressed.</p> <p>Comprehensive debt management reports are produced on a monthly basis but details were not included within the wider performance reports for senior management.</p> <p>Responsibility for the recovery of overpaid housing benefit has very recently moved to the Corporate Service Centre and we are pleased to report that the new Service Manager is</p>	 *


Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		already in the process of reviewing inherited procedures and processes and the findings from this review will help to inform that process.	
Organisational Structure ORR – Amber ANA – High Client Request	Status: In Progress	Initial findings based on the work to date, provides assurance that the move to a hierarchical organisational structure within the iTrent HR/Payroll system has been well managed, with appropriate validation exercises to confirm the accuracy of the new structure. Controls and processes around service area restructures are effective with the restructure processes in respect of making changes to the iTrent system well documented.	
Libraries Transformation ANA – High Client Request	Value Added Status: Final	<p>The consultation process was found to be satisfactory with questions in the consultation survey clearly worded, using plain English. Information was made available in both paper and digital formats and at public sessions, the length of the consultation period provided sufficient time for the public to properly consider and respond to the proposals.</p> <p>Consideration was given to the range of people who may be affected by the proposals and efforts were made to identify and engage with specific and minority groups including people with disabilities, faith groups and the black and ethnic minority community.</p> <p>As part of the audit process, the “engagement tracker” was reviewed to confirm that it recorded comments and communications from communities and citizens, partners, emails and social media. It also contains the final raw report data from the completed questionnaires. A local marketing research company was engaged to provide high standard, independent analysis of the survey results.</p>	
Academy System (Revenues & Benefits) ANA – Medium Client Request	Status: On-going	Trusted advisor support will be provided as the service looks to deploy system changes / more automated functionality in delivery of the services within Revenues and Benefits.	
Purchasing Cards ANA – Medium Client Request	Status: In Progress	<p>Areas being considered as part of this review include:</p> <ul style="list-style-type: none"> <li>Compliance with Contract Standing Orders, policies and procedures; and</li> <li>Review of card use and supporting evidence including consideration of the appropriateness of purchases, approval process and monitoring.</li> </ul>	








Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Finance Fit ORR – Amber ANA – Medium Client Request	Status: On-going	DAP continues to provide “trusted advisor” support, working co-operatively with officers involved in the Finance Fit work stream as they continue to develop finance and procurement systems to streamline processes and deliver efficiencies.	
Schools Financial Value Standards (SFVS) Statutory ANA – Low	Good Standard Status: Final	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2016/17 submitted to the Department for Education.	
The following reviews will be commenced in the second half of 17/18			
<div> <div>➤ Contract Management ORR – Amber, ANA – High</div> <div>➤ Risk Management ANA – High</div> <div>➤ Customer Feedback ANA – Medium, Client Request</div> <div>➤ Plymouth Community Homes Contract ANA - Medium</div> </div>			
<b>People</b>			
<b>Core Assurance – Key Financial System</b>			
CareFirst - Care Leavers (Payments) ANA – Medium	Status: In Progress	The focus of this review is the adequacy and effectiveness of the systems and procedures in place for the payments associated with young people leaving care including their allowances, voucher schemes and care leaver grants.	N/A
CareFirst - Income Collection (Adults – Deferred Payments) Risk / ANA: ANA – High	Improvements Required Status: Draft	<p>The Care Act 2014 requires all Councils in England, from April 2015, to provide a deferred payment scheme for local residents who go to live in a Residential/Nursing home, own a property and have other assets below a certain threshold. Prior to April ‘15 the Council offered a deferred payment scheme under Section 55 of the Health and Social Care Act 2001.</p> <p>There is a framework for the post April ‘15 scheme which clearly identifies the roles and responsibilities of the departments involved but it would be further strengthened if it included the debt recovery process / lines of responsibility.</p> <p>Details of deferred payments are recorded on a spreadsheet but as there was no requirement to maintain a record of deferred payments under the pre Care Act scheme it cannot be guaranteed that this is a complete record. With a significant number of manual, resource intensive processes the current system is inefficient. Debt collection in relation to Adult Social Care, with its high number of vulnerable clients is particularly difficult and sensitive but with the continuing budget constraints it is essential that the income due to the</p>	

Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>Council is maximised.</p> <p>Plans to implement specialist software have, to date, been frustrated due to the complexity of the scheme and the module's inability to accommodate the pre Care Act cases.</p>	
Follow-Up of 2016/17 Children Independent Placements (Payments)	Good Standard Status: Final	See follow-up report included elsewhere on this agenda for details.	
<p>The following review will be commenced in the second half of 17/18:</p> <p>➤ CareFirst - Fostering (Payments) ANA – Medium</p>			
<b>Core Assurance - Other</b>			
Adult & Community Learning Contract Client Request	Value Added Status: Final	<p>The former Plymouth Adults &amp; Community Learning Service (PACLS) is a “spun out” company funded by a contract held by the City Council to deliver learning opportunities to adults. The focus of the audit was delivery against the contract and included review of the evidence to support learner engagement. Although two sub-contractors were underperforming, we can provide assurance that the officers responsible for monitoring of the contract had identified the situation and appropriate action was taken.</p> <p>A set monthly amount has been retained by the Council to cover any underspend by the main contractor with 25% of sub-contractors contract values also being retained. In our opinion this is a prudent approach and should be more than sufficient to cover any “clawback” for the Skills Funding Agency resulting from any underperformance.</p>	
Legal Care Proceedings (Children's) SRR – Amber ANA – High Client Request	Status: In Progress	The focus of this review is on the processes used to initiate and progress care proceedings and whether these processes are working effectively.	
Pre-Paid Cards - Direct Payments Delivery Method SRR – Amber ANA – High	Planned start date w/c 11 Sept	<p>The objective of this review is to evaluate and report on the adequacy of the controls operating for Adult Social Care Direct Payments, including the:</p> <ul style="list-style-type: none"> <li>Processing, issuing and monitoring of direct payments/prepaid cards;</li> </ul>	

Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Client Request		<ul style="list-style-type: none"> <li>Processes and guidance for dealing with suspected misuse and fraud.</li> </ul>	
Lessons Learned From Schools in Deficit ANA – Medium Client Request	Status: In Progress	Our work involves a review of the processes employed by Plymouth City Council for the approval of licensed deficits in respect of maintained schools. Consideration will also be given to the communication channels between a school, the Council and Plymouth Learning Partnership in the management of the annual budget process and the subsequent monitoring of progress in delivery of any recovery plan.	
Community Connections ORR – Amber ANA - High		The service has recently been reorganised and new ways of working rolled out. A risk workshop has been scheduled for late September to determine where audit resource can add most value.	
Deprivation of Liberty Safeguards (DOLS) Follow-Up ANA - Medium	Improvements Required  Status: Final	See follow-up report included elsewhere on this agenda for details.	
The following review will be commenced in the second half of 17/18:			
➤ Social Care Business Solutions ANA – High, Client Request			
<b>Integrated Fund</b>			
Finance & Assurance Review Group (FARG) SRR - Red ANA – High Client Request	Status: On-going	DAP continues to monitor and support the actions of the Integrated Fund (IF). Assurance has been sought, and support provided through attendance and input at the Finance and Assurance Review Group which is tasked with coordinating assurance, financial reporting and risk management for the Integrated Commissioning Board.	

Risk Area / Audit Entity	Audit Report			Direction of Travel Assurance
	Assurance Opinion	Residual Risk / Audit Comment		
One System One Aim				
Plymouth & Western System Development Board SRR - Red ANA - High	Status: On-going	The Council and New Devon CCG have pooled and aligned budgets for health integration of circa £460m and the knowledge which DAP gains through attending these meetings is used to inform strategic audit work within People.		
Multi-Agency Hub SRR - Amber ANA – High Client Request	Planned start date w/c 6 Sept	The Multi Agency Hub went live in June 2016 with the aim of providing effective, dynamic, timely, joint decision making based on effective information sharing to ensure better outcomes for Children, Young People and families. This review will evaluate the Multi Agency Hub and provide Plymouth City Council with an independent audit opinion on the effectiveness of the process, highlighting opportunities for further development as appropriate.		N/A
Early Help Gateway (CSC) SRR - Amber ANA – High Client Request	Planned start date w/c 6 Sept	The Early Help Gateway went live in Dec 2015 with the aim of providing intervention, care and support at the earliest point to help the child and prevent the escalation or need. This review will evaluate the Early Help Gateway and provide Plymouth City Council with an independent audit opinion on the effectiveness of the process, highlighting opportunities for further development as appropriate.		N/A
The following reviews will be commenced in the second half of 17/18:				
<div>➤ One System One Aim, The Seven Priorities</div> <div>➤ Livewell South West ANA – High, Client Request</div>				
Public Health				
Business Continuity Planning SRR - Amber ANA – High Client Request	Status: In Progress	The focus of our work is on the adequacy of existing processes to ensure that key suppliers have appropriate Business Continuity Plans (BCPs) in place to deal with disruption to their operations; which in turn minimises any potential disruption to the Council.		N/A
The following review will be commenced in the second half of 17/18:				
Public Protection Service SRR – Amber, ANA – Medium, Client Request				

Risk Area / Audit Entity	Audit Report		
	Assurance Opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>Place</b>			
Review of Major Contracts SRR - Amber ANA - High	Status: On-going	Supporting officers in the early management of new Highways Term Maintenance contract and a mid-year review of the works ordering processes around the new highways management system.	
Trade Waste Follow-Up ANA – Medium Client Request	Improvements Required Status: Draft	See follow-up report for details.	
Waste PFI ORR – Amber ANA – Medium Client Request	Status: On-going	Audit continues its participation with the South West Devon Waste Partnership, attending meetings of the Project Executive, providing support and advice on contract management issues.	
The following reviews will be commenced in the second half of 17/18:			
<ul style="list-style-type: none"> <li>➤ Commercial Properties SRR95 – Red, ANA – High</li> <li>➤ Street Services ANA – High, Client Request</li> <li>➤ Modernisation of Garage ANA – Medium, Client Request</li> </ul>			
<b>Grants</b>			
Early intervention – Families with a Future Regulatory Requirement ORR - Amber	Certified Status: Ongoing	DAP have verified and certified four claims in the year to date. We continue to work with the Families with a Future Team to ensure the accuracy and completeness of key data and that demonstrable evidence of intervention is maintained.	
Grants x 2 Regulatory Requirement	Certified Status: Complete	Grants certified without amendment – GD18 Northern Corridor Junction Improvements and GD19 Eastern Corridor Cycle Route.	
Certification for the following three grants is required by 30 September 2017:			
<ul style="list-style-type: none"> <li>➤ Local Transport Capital Block Funding (Integrated Transport &amp; Highways Maintenance)</li> <li>➤ Pothole Action Fund</li> <li>➤ Highways Maintenance Challenge Fund</li> </ul>			
Certification work in respect of the following grant will be undertaken in the second half of 17/18.			
<ul style="list-style-type: none"> <li>➤ DCLG Plymouth City Deal (South Yard) - Regulatory Requirement</li> </ul>			

## Appendix B

### 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.





## PLYMOUTH CITY COUNCIL

### AUDIT COMPLETION REPORT

Audit for the year ended 31 March 2017  
14 September 2017



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# SUMMARY

AUDIT SCOPE AND OBJECTIVES	
Audit status	We have substantially completed our audit procedures in accordance with the planned scope and expect to sign our audit opinion by the statutory deadline of 30 <sup>th</sup> September, subject to resolution of matters set out in the outstanding matters section below.
Audit risks	<p>We issued our planning report to the Audit Committee in March 2017 and this document contained our initial assessment of the risks that were relevant to the audit.</p> <p>Subsequent to issuing the document we elevated the risks relating to valuation of property plant and equipment and also the valuation of the pension fund liability and reported these changes in our update report presented to the Audit Committee in June 2017.</p>
Materiality	Our final materiality was calculated at £9.3 million and was calculated using the Council's gross expenditure for 2016/17.
Changes to audit approach	There were no significant changes to our planned audit approach nor were any restrictions placed on our audit.

KEY AUDIT AND ACCOUNTING MATTERS	
Material misstatements	Our audit identified no material misstatements and we were pleased to note a significant improvement in the quality of the draft accounts and supporting working papers.
Adjusted misstatements	<p>Our audit identified a small number of immaterial misstatements which management has amended in the final financial statements.</p> <p>A few other presentational changes have been made to the financial statements as a result of the audit. In particular, the Council needed to provide additional disclosure in respect of the valuation of the Tamar Bridge which is valued on a depreciated replacement cost (DRC) basis. The 2016/17 Code of Practice on local authority accounting ("the Code") stipulates that historic cost is to be used as the basis for valuing highways infrastructure assets and therefore the Council, by using DRC departs from the Code requirement for this asset.</p> <p>Departure from the Code can be acceptable but it is necessary to provide the reader with additional information to explain the reason for the departure from the Code.</p>
Unadjusted audit differences	Our audit identified three unadjusted audit differences and these are set out in more detail in Appendix I. We are satisfied that they are not systemic and in all cases have no impact upon the Council's General Fund balance.
Control environment	Our audit identified a small number recommendations designed to strengthen controls and these are set out in Appendix II.

# SUMMARY

## KEY MATTERS FROM OUR AUDIT OF USE OF RESOURCES

Sustainable Finances	<p>The Council has a transformation plan that is designed to deliver a reduction in net expenditure of nearly £24 million in 2016/17 with further reductions in future years. The reductions in net expenditure amount to £18.2 million in 2017/18 with further reductions of £9 million and £8 million in 2018/19 and 2019/2010.</p> <p>The overall gap in resources in the period to 2020 amounts to approximately £60 million and the Council has identified the need to address this gap with substantial savings sought in the two year period to 31 March 2018. In 2016/17, the Council was very close to achieving the level of savings required by its budget and fell short by approximately £1.3m funded from a transfer from reserves and application of capital receipts.</p> <p>Therefore given the very difficult challenge that the Council set itself in 2016/17, it is evident that the Council's arrangements in 2016/17 have been reasonable. At the same time the Council's useable reserves have increased from £51 million at the beginning of 2016/17 to £55 million at year end. However, as many of these reserves do have restricted use, they are of limited use in addressing the Council's budget gap in connection with its revenue expenditure.</p> <p>The position remains challenging in 2017/18 and the Council is already facing pressure around social care costs, in line with other principal Councils and national pressures such as the apprenticeship levy. The financial progress reports for quarter 1 of 2017/18 have been issued to Cabinet and they indicate an overspend against budget of approximately £4.25 million.</p> <p>Management is taking action to address this overspend in the remaining part of the year but there remains a risk of an overspend in 2017/18 and close monitoring will be required.</p>
Partnerships	<p>The Council is active in seeking to work with other organisations and has a number of partnership arrangements in place particularly with the NEW Devon CCG. No matters were raised during our work.</p>

## AUDIT OPINION

Financial statements	<p>Subject to the successful resolution of outstanding matters set out on page 5, which are largely procedural, we anticipate issuing an unmodified opinion on the financial statements for the year ended 31 March 2017.</p> <p>This year we worked with the finance team to prepare for the faster close requirements that will be in place for the 2017/18 audit. As part of this process, we agreed to bring forward the audit work. We received the first draft of the accounts in early June and the working papers have been of high standard which has helped us to complete our audit procedures significantly earlier than was the case with our 2015/16 audit.</p>
Annual governance statement	<p>We have no exceptions to report in relation to the consistency of the Annual Governance Statement with the financial statements or our knowledge.</p>
Use of resources	<p>We anticipate issuing an unqualified opinion on the use of resources for the year ended 31 March 2017 and conclude that the Council did have proper arrangements in place as defined by the NAO guidance issued in November 2015.</p>

OTHER MATTERS FOR THE ATTENTION OF THE AUDIT COMMITTEE	
Whole of Government Accounts (WGA)	We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the financial statements. We expect to issue our opinion on the consistency of the DCT return with the audited financial statements before the 29 September 2017 statutory deadline.
Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix IV.
Audit certificate	We will issue our audit certificate after we have completed our work on the financial statements, use of resources and whole of government accounts.

# INTRODUCTION

## PURPOSE AND USE OF THIS REPORT

We present our Audit Completion Report to the Audit Committee, which details 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 use of resources. As the purpose of the audit is for us to express an opinion on the financial statements and use of resources, 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 and throughout the period.

## AUDIT QUALITY

BDO is committed to delivering 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 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.

More details can be found in our latest Transparency Report at [www.bdo.co.uk](http://www.bdo.co.uk).

# OUTSTANDING MATTERS

We have substantially completed our audit work for the year ended 31 March 2017, and anticipate issuing unmodified opinions on the financial statements and use of resources. The following matters are outstanding at the date of this report. We will update you on their current status at the Audit Committee meeting at which this report is considered:

- 1

Internal quality control review process
- 
- 2

Finalised audited accounts for CaterEd and the Tamar Bridge and Tor Point Ferry Joint Committee
- 
- 3

Subsequent events review
- 
- 4

Final review and approval of the financial statements
- 
- 5

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

## KEY AUDIT AND ACCOUNTING MATTERS

### AUDIT RISKS

We assessed the following matters as audit risks as identified in our earlier Audit Planning document presented to the Audit Committee in March 2017. Minor changes were made to our risk assessment and these were communicated to the Audit Committee in June 2017.

Below we set out how these risks have been addressed and the outcomes of our procedures.

Key: ■ Significant risk ■ Normal risk

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
1 ■ <b>Management override of controls</b>	<p>Auditing standards presume that a risk of management override of controls is present in all entities and require us to respond to this risk by testing the appropriateness of accounting journals and other adjustments to the financial statements, reviewing accounting estimates for possible bias and obtaining an understanding of the business rationale of significant transactions that appear to be unusual.</p> <p>By its nature, there are no controls in place to mitigate the risk of management override.</p>	<p>Our response to this risk included:</p> <ul style="list-style-type: none"> <li>• testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>• reviewing accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud</li> <li>• obtaining an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.</li> </ul>	<p>Our audit work in relation to journals has not identified any significant issues.</p> <p>We have not found any indication of management bias in accounting estimates.</p> <p>Our views on significant management estimates are included below.</p> <p>No unusual or transactions outside of the normal course of business were identified.</p>

# KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA		RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
2	Revenue recognition	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under International Standards on Auditing (UK and Ireland) 240, there is a presumed significant risk of management override of the system of internal controls.</p>	<p>In addressing this audit risk, we made use of our journal testing application to identify unusual transactions. We also tested a sample of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We also reviewed accounting estimates for bias and evaluated whether the circumstances producing the bias, if any, represented a risk of material misstatement.</p> <p>We also obtained an understanding of the rationale for significant transactions that were outside the normal course of business for the Council or appeared to be unusual.</p>	No issues noted.

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
3 Land, buildings, and investment property valuations	<p>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.</p> <p>The Council operates a rolling valuation programme to ensure that all properties are valued at least every five years.</p>	<p>We reviewed the revaluation instructions issued and confirmed the valuer's qualifications and experience in order to determine whether we could rely on the management expert.</p> <p>We confirmed that the basis of valuation for assets valued in year were appropriate for the type of asset and how they were being used.</p> <p>We reviewed the valuation performed and tested a sample of assets to confirm the valuation has been correctly accounted for.</p>	<p>From our review of the instructions provided to the valuer and assessment of the expertise of the valuer, we are satisfied that we can rely on this work.</p> <p>For the sample of PPE assets and investment properties reviewed we are satisfied that the basis of the valuation for each asset is appropriate and that the revaluation movements have been correctly accounted for.</p> <p>The Tamar Bridge has been valued on depreciated replacement cost (DRC) basis (most recent valuation was in 2015) and this valuation has been used to support the value of the bridge in the Council's accounts.</p> <p>The Code stipulates that historic cost (HC) (rather than DRC) is to form the basis of the valuation of highways related assets.</p> <p>The Council has identified DRC as the better basis of valuation of this asset because this information is more appropriate for the reader. This is partly because the depreciation charge being based on a current value rather than historic cost would be more appropriate in assessing the financial performance of this toll bridge where tolls are expected to enable the Council to recover its costs.</p> <p>To address the departure from the Code, the Council has provided additional disclosure as to why DRC is the appropriate basis and also confirmed that accurate historic cost information is not available.</p>



# KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
4	Local Government Pension Fund assumptions	<p>The Council's pension liability comprises the Council's share of the market value of assets held in the Devon Pension Fund less the estimated future liability to pay pensions.</p> <p>The pension fund liability is calculated by actuaries with specialist knowledge and experience. The calculation uses membership data held by the pension fund and uses factors such as mortality rates and expected future pay rises to calculate the liability.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions.</p>	<p>We agreed the disclosures to the information provided by the pension fund actuary.</p> <p>We contacted the Devon Pension Fund auditor and request confirmation of the controls in place for providing accurate information to the actuary.</p> <p>We reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.</p>	<p>We obtained a confirmation from the Devon Pension Fund auditor about aspects of the valuation of the pension fund assets and liabilities and agreed the disclosures to the report received from the actuary.</p> <p>The NAO commissioned PwC to review the assumptions used by Barnett Waddingham, the actuary for the Devon Pension Fund. PwC reported that certain assumptions used by Barnett Waddingham were out of line with their expected range.</p> <p>Specifically, PwC reported as follows:</p> <p><i>"For employers advised by Barnett Waddingham, the discount rates proposed fall outside of our expected ranges as the methodology is not as robust as we would expect, particularly under market conditions at 31 March 2017."</i></p> <p>To address this matter, we commissioned a specialist actuary, Broadstone, to undertake additional work to assess the potential impact upon the Council's accounts where the value of the liability at 31 March 2017 had been calculated at £1,017 million.</p> <p>The Broadstone review concluded that bringing the discount rate into line with general expectations (as well as adjusting the other assumptions appropriately) would not lead to materially different liability calculation as the impact of the higher discount rate and inflation rates counteracted each other and the overall liability calculation is reasonable. We have therefore been able to conclude that the amount is not materially misstated.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
5	<p>Changes in presentation of the financial statements</p> <p>The 2016/17 Code required a change to the presentation of some areas of the financial statements. This includes:</p> <ul style="list-style-type: none"> <li>Change to the format of the Comprehensive Income and Expenditure Statement (CIES)</li> <li>Change to the format of the Movement in Reserves Statement (MIRS)</li> <li>New Expenditure and Funding Analysis (EFA) note</li> <li>Change to the Segmental Reporting note</li> <li>New Expenditure and Income analysis note.</li> </ul> <p>These changes required a restatement to the 2015/16 CIES.</p>	<p>We reviewed the draft financial statements and checked these against the CIPFA Disclosure Checklist to ensure that all of the required presentational changes have been correctly reflected within the financial statements.</p> <p>We confirm that the analysis by service in the CIES is consistent with the internal reporting within the Council.</p> <p>We reviewed the restatement of the comparative 2015/16 information to ensure that this is presented consistently with the current year basis.</p>	<p>There were no issues identified in this element of our work.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
6	Consideration of related party transactions	<p>We need to consider if the disclosures in the financial statements concerning related party transactions are complete and adequate and in line with the requirements of the accounting standards.</p> <p>We will discuss with management and review the Council's register of member's interests for undisclosed interests.</p> <p>This is something we will require you to include in your management representation letter to us</p>	We did not identify any issues with this part of our audit.
7	Highways Network Asset (HNA)	<p>When we issued our plan, the 2016/17 CIPFA Code of Practice on Local Authority Accounting was in the process of being updated to require local authorities to value highways network asset (HNA) on a depreciated replacement cost basis.</p> <p>In November 2016, the plan to change the basis of calculating the HNA to depreciated replacement cost (DRC) was deferred beyond 2016/17.</p> <p>At the same time the basis of using historic cost to calculate the balance sheet value of highways assets (e.g. roads, bridges, traffic lights etc.) was confirmed.</p>	<p>The planned change to the Code and the move to DRC with effect from 1 April 2017 has been deferred.</p> <p>The decision to defer implementation of DRC impacted upon the valuation of the Tamar Bridge and this issue is considered in more detail within the valuation of Land and buildings valuations identified above.</p>
8	Group Accounts considerations	<p>The Council has a range of interests in various entities including DELT (a company the Council owns with NEW Devon CCG) and CaterEd, a company providing catering services to schools. These were not considered material last year and therefore group accounts were not necessary but this needs to be reviewed each year.</p> <p>We reviewed the paper prepared by management and challenge the approach adopted by the Council to accounting for the entities within which the Council has an interest.</p>	<p>Review of the draft accounts of DELT and CaterED indicate that the Council's decision to continue to prepare single entity accounts remains appropriate.</p> <p>This is because the adjustments that would be necessary are not material and therefore group accounts are not required.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
9	Non-domestic rates appeals provision	<p>The Council is required to estimate the value of potential refund of business rates arising from rate appeals, including backdated appeals. The Valuation Office Agency (VOA) provides information regarding the appeals currently being assessed and settled. Management use this information 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 for all authorities in relation to the estimation of the provision due to potential incomplete data and assumptions used in calculating the likely success rate of appeals. We are aware that some NHS organisations may appeal their business rate charge and seek charitable status to claim mandatory rate relief.</p>	<p>No issues noted.</p> <p>We reviewed the accuracy of the appeals data to confirm that it is complete based on the VAO list, and that settled appeals are removed.</p> <p>We reviewed the assumptions used in the preparation of the estimate including the historic success rates to confirm if the rates applied are appropriate.</p> <p>We will monitor progress with the potential rate relief claims from NHS organisations and the potential impact on the collection fund account.</p>

## 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
<p>14 The draft financial statements, within the Statement of Accounts, were prepared and provided to us for audit in accordance with a pre-agreed timetable and shortly after the end of May.</p> <p>As part of our planning for the audit, we prepared a detailed document request which outlined the information we would require to complete the audit.</p>	<p>The deadline for the Council to approve place its draft accounts was 30 June 2017.</p> <p>In anticipation of the need to respond to the 2017/18 accounts deadline being moved forward to 31 May 2018, we have worked with management to bring forward aspects of the 2016/17 audit timetable forward so that we will be both be better prepared for the accelerated deadline that will apply in 2018.</p> <p>We agreed an outline plan with management where we were to be provided with the first draft of the accounts in early June and the working papers supporting the draft accounts were of a good standard enabling our audit fieldwork to begin as soon as the draft accounts were received. In addition, our “close meeting” with senior management occurred in August and was therefore ahead of schedule compared to the equivalent meeting in 2015/16.</p>
<p>15 We are required to review the draft Annual Governance Statement and 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>We have no matters to report.</p>
<p>16 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

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 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.

We note that the Council's internal audit function has issued a number of observations and recommendations on the Council's control environment during 2016/17. We have not repeated these recommendations in this report unless we consider them to highlight significant deficiencies in control which we are required to report to you.

We are not aware of any significant deficiencies in the Council's internal controls in 2016/17.

# WHOLE OF GOVERNMENT ACCOUNTS

We comment below on other reporting required:

MATTER	COMMENT
17	<div><div>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 Authority 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.</div><div>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.</div></div> <div><div>Local authorities' were required to submit the unaudited DCT to HM Treasury and auditors by 7 July 2017.</div><div>Our review of the Council's WGA Data Collection Tool (DCT) is in progress.</div><div>We will complete our review of the WGA Data Collection Tool (DCT), after we have completed our audit of the Council's financial statements.</div><div>We expect to issue our opinion on the consistency of the DCT return with the audited financial statements before the 29 September 2017 statutory deadline.</div></div>

## USE OF RESOURCES

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 2016/17 Audit Plan that was presented to the Audit Committee in issued in March earlier this year. Subsequently, we performed a more detailed assessment and in June 2017 prepared an update report for the Audit Committee that set out the updated risk assessment.

We report below our findings of the work designed to address these significant risks and any other relevant use of resources work undertaken.

**Key:** ■ Significant risk ■ Normal risk



## USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
<p>1 Sustainable finances</p>	<p>In February 2016, the Council agreed a budget for 2016/17 with net spending (i.e. expenditure net of income) of £186.7 million for the year. At 31 December 2016, the Council was forecasting spending of approximately £188 million for 2016/17 and therefore an overspend against budget of approximately £1.3 million. In the later months of the year, the Council did manage to reduce this overspend by the application of reserves and use of capital receipts.</p> <p>The Council's Medium Term Financial Strategy (MTFS) which was prepared in 2016 and covered the period to 31 March 2020 identified that financial resources will reduce in 2017/18 with further reductions in subsequent years. To illustrate, the MTFS identified a need to reduce net expenditure by £23.9 million in 2016/17 with further reductions amounting to £39 million in the period from 1 April, 2017 to 31 March 2020 (i.e. approximately £63 million in total).</p> <p>Delivering the savings in the early years of the MTFS will be very important in creating a financially sustainable Council and meeting the MTFS target.</p> <p>In addressing this audit risk, we reviewed the assumptions used in the Medium Term Financial Strategy including the delivery of the budgeted savings in 2016/17. We also reviewed the outline plans to achieve further savings in the period to 31 March 2020 to help assess their achievability.</p>	<p>In ensuring a balanced budget, the Council identified a savings programme designed to reduce net spending by £23.9 million in 2016/17.</p> <p>To ensure a balanced budget at year end was achieved, £1 million was transferred from the Housing Stock Transfer Reserve and £350,000 of capital receipts were applied to the General Fund. At 31 March 2017 the General Fund balance was £9.35 million representing approximately 5% of the Council's annual net expenditure.</p> <p>The Council has identified further savings for 2017/18 which are factored into its budget and forecast to generate reductions in net expenditure with a value of £18.23 million. For each item an officer is accountable for delivering the saving and reporting progress to the Council's senior management group overseeing the transformation programme.</p> <p>In assessing the robustness of the arrangements for overseeing the reductions in net expenditure we reviewed the 2017/18 list of schemes and discussed with management the process for delivering the net expenditure reductions. We have concluded that the Council's approach has been reasonable and that the planned savings are the result of extensive work to ensure that they are realistic. We also note at quarter 1 (the period to 30 June 2017) the Council is behind with its planned level of savings and is forecasting an overspend against budget of approximately £4.3 million. It is therefore important that this position remains closely monitored.</p> <p>In comparison with other unitary authorities that we audit, the Council's useable reserves are at a reasonable level, although unlike many others, the Council was able to increase its useable balances to £55 million (up from £51 million at the start of the year). However, as many of these reserves do have restricted use, they are of limited use in addressing the Council's budget gap in connection with its revenue expenditure.</p>

RISK AREA		RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
2	Partnerships	<p>The Council continues to work with external partners and works closely with several including NHS NEW Devon CCG.</p> <p>As with any partnership arrangements there are risks around governance and control and value for money.</p>	<p>The Council has a significant partnership with the NEW Devon CCG which is the subject of a section 75 agreement and referred to as the Plymouth Integrated Fund. The financial details of the partnership are routinely reported to Cabinet.</p> <p>The Council also works closely with the CCG via DELT (a joint venture company) which is subject to audit and with officer representation on the Company Board.</p> <p>The significance of councils working with other organisations is likely to continue and therefore the governance arrangements for individual partnerships need to be kept under review. At this stage, however, the Council's arrangements covering its significant partnerships are reasonable and the Council's arrangements have been cited as best practice and nominated for a Public Finance award.</p>

## APPENDICES

## APPENDIX I: 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, and in aggregate, on the financial statements.

### ADJUSTED AUDIT DIFFERENCES

Our audit did not identify any material misstatements.

### UNADJUSTED AUDIT DIFFERENCES

There are three unadjusted audit differences identified by our audit work which would if corrected would not affect the Council's General Fund balance and would affect the balance sheet only.

You consider these identified misstatements to be immaterial in the context of the financial statements taken as a whole.

We agree with this judgement although we also request that you correct them even though not material.

APPENDIX I: AUDIT DIFFERENCES

		INCOME AND EXPENDITURE		BALANCE SHEET	
		DR	CR	DR	CR
		£'000	£'000	£'000	£'000
1. Omission of investment property from the Council's 2017 balance sheet					
DR	Investment Properties			333	
CR	Unusable Reserves				333
2. Reclassification of Plympton Guildhall as other land and buildings rather than as a heritage asset					
DR	Other land and buildings			718	
CR	Heritage Assets				718
3. Release of revaluation reserve in connection with a 2016/17 asset disposal					
DR	Revaluation Reserve			542	
CR	Unusable Reserves				542
TOTAL UNADJUSTED AUDIT DIFFERENCES				1,593	1,593

## APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

Key: ■ Significant deficiency in internal control ■ Other deficiency in internal control ■ Other observations

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
For Civica financials, we noted a relatively high number of generic accounts and also “administrator” access being given to a relatively high number of people.	Potential weakness in control over access.	Management should review the number of generic accounts and also those individuals allocated administrator access.	From 750 users who can access the system we have five full access users which is not considered excessive.	N/A	N/A
For Civica, the password parameters were fewer than we would expect	Weakened access controls.	Review password parameters.	We will amend the settings for the length of password and get this implemented by Delt.	Carolyn Haynes	30 Sept 2017
Starters and leavers controls need to be formalised for Logotech	Weakened access controls.	Formalise leaver procedures.	There are only 5 users for this database and they have been with the Council for a number of years.	N/A	N/A
For Techforge, change management procedures should be reviewed to ensure an audit trail exists for all approved changes.	The controls to prevent unauthorised changes to the application need to be strengthened.	Formalise change procedures and ensure all changes can be checked against an authorised approval.	We will work with Delt to deliver improvements	Delt	31 Dec 2017
For Carefirst, the password complexity was weak.	Weakened access controls	Ensure passwords are more complex.	We will work with Delt to deliver improvements	Delt	31 Dec 2017
For Itrent and Techforge, we note that lock-out only occurred after 30 failed attempts. This is a high number and should be reduced.	Weakened access controls	Reduce the number of failed password inputs before lock out occurs.	We will work with Delt to deliver improvements	Delt	31 Dec 2017

# APPENDIX III: MATERIALITY

MATERIALITY - FINAL AND PLANNING		
	FINAL £000	PLANNING £000
Materiality	£10,163,000	£9,300,000
Clearly trivial threshold	£203,000	£186,000
We revised our materiality to reflect the Council's final reported expenditure.		

## APPENDIX IV: INDEPENDENCE

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards for Auditors 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. These policies include engagement lead and manager rotation, for which rotation is required after 5 years and 10 years respectively. No member of your audit team has worked on this audit for more than two years.

We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Council.

### INDEPENDENCE - THREATS TO INDEPENDENCE AND APPROPRIATE SAFEGUARDS

In addition to our work under the PSAA contract and which covers the statutory audit work and the certification of the Council's Benefits return, other work relates to the certification of grant claims. Details of the fees are set out in Appendix V.

We have not identified any potential threats to our independence as auditors.

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



APPENDIX V: FEES SCHEDULE

	2016/17 FINAL PROPOSED £	2016/17 PLANNED £	2015/16 FINAL £	EXPLANATION FOR VARIANCES
Code audit fee	136,874	136,874	171,704	
Housing benefits subsidy claim	Tbc	Tbc	17,477	Errors identified in our initial phase of sample tests requiring additional items to be selected and tested
TOTAL AUDIT AND CERTIFICATION FEES	tbc	tbc	189,181	
Reporting on government grants:				
• Teachers’ Pension return	4,600	4,600	4,500	
• Other	-	Nil	Nil	
NON-AUDIT ASSURANCE SERVICES	4,600	4,600	4,500	
TOTAL ASSURANCE SERVICES	tbc	tbc	193,681	

## APPENDIX VI: DRAFT REPRESENTATION LETTER

TO BE TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP

...

..... September 2017

Dear Sirs

Financial statements of Plymouth City Council for the year ended 31 March 2017

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 2017 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 Director of Finance 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 2017 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.

## APPENDIX VI: DRAFT REPRESENTATION LETTER

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 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 have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

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 and member 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

[date]

[Name]

[Title]

Signed on behalf of the <Audit Committee>

[date]

**FOR MORE INFORMATION**

**GREG RUBINS**

**Engagement lead**

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E: [greg.rubins@bdo.co.uk](mailto:greg.rubins@bdo.co.uk)

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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**PLYMOUTH CITY COUNCIL**

**Subject:** Health, Safety and Wellbeing (HSW) Annual Report  
2016/17

**Committee:** Audit Committee

**Date:** 14 September 2017

**Cabinet Member:** Councillor Riley

**CMT Member:** Dawn Auger (Interim Joint Strategic Director  
Transformation and Change)

**Author:** Clare Cotter, Interim Head of HSW Assurance and  
Mike Hocking, Head of Assurance

**Contact details** Tel: 01752 304967  
email: clare.cotter@plymouth.gov.uk

**Ref:** HSW/CC/ MJH

**Key Decision:** No

**Part:** I

---

**Purpose of the report:**

This report provides an overview of how the Council has met its statutory duties toward our employees and members of the public affected by our operations in 2016-17. These duties arise from the Health and Safety at Work etc. Act 1974 and the Management of Health and Safety at Work regulations 1999.

The HSW Annual report 2016-17 is presented in a format appropriate for external publication which is noted as best practice by the Health and Safety Executive (HSE) and Institute of Occupational Safety and Health (IOSH). This is the first time that Plymouth City Council has sought to publish this information externally, with a view to increasing transparency and attracting future talent into the workforce.

---

**The Corporate Plan 2016 - 19:**

Health, safety and wellbeing culture and practice supports the fulfilment of the Corporate Plan as a foundational aspect of the People Strategy. Through the Annual Report we are able to demonstrate a progressive agenda of HSW continuous improvement, both from hindsight – what we have achieved in 2016-17, and foresight – what we are delivering in 2017-18.

---

**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 the HSW risk and opportunity register could have financial or resource implications.

---

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

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

---

**Equality and Diversity**

Has an Equality Impact Assessment been undertaken? Not required.

---



**Recommendations and Reasons for recommended action:**

The Audit Committee is recommended to:

Note and endorse the HSW Annual report 2016-17 for external publication

---

**Alternative options considered and rejected:**

Maintaining the status quo (internal HSW annual reporting to CMT) is not in keeping with best practice guidelines produced by the HSE and IOSH, and misses the opportunity for the Council to promote externally the good work that is being achieved for our workforce and people affected by our operations from a HSW perspective.

---

**Published work / information:**

Plymouth City Council Health, Safety and Wellbeing [Policy](#).

**Background papers:**

None.

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**Sign off:**

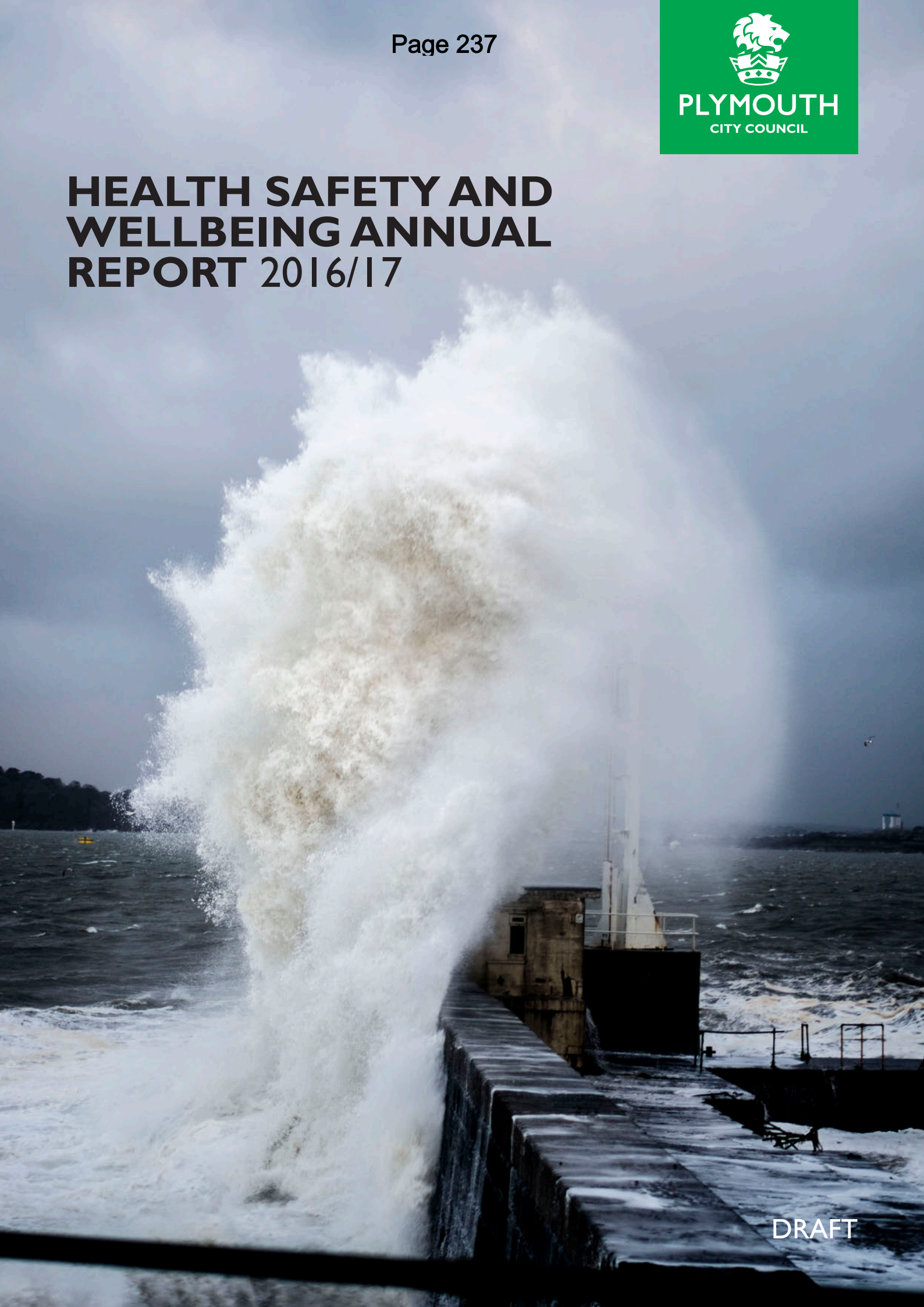
Fin akh1718. 94		Leg lt/2888 1/0509		Mon		HR DA- HR05.0 9.2017		Assets		IT		Strat Proc	
Originating SMT Member: Dawn Auger, Interim Joint Strategic Director Transformation and Change													
Has the Cabinet Member(s) agreed the contents of the report? Yes 03/09/2017													



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# HEALTH SAFETY AND WELLBEING ANNUAL REPORT 2016/17



DRAFT





# PLYMOUTH CITY COUNCIL

WHAT WE DO...





## KEY FACTS

- At the end of 2016-17 there were 2,558 people in our workforce, serving a city of 262,700 citizens
- In addition to the above, the Council has 24 maintained schools with a workforce of 1,512 serving 6,023 pupils
- We provide or commission over 300 services for the citizens of Plymouth
- We work in a variety of settings, including office bases, industrial depots, recycling facilities, public car parks, crematoria, shop front premises, call centre, community setting day care facilities, libraries, parks and historic buildings. Our newest work setting is the 32 acre livestock farm, Poole Farm
- Just under two thirds of staff are female and just over one third are male
- The types of hazards people are exposed to vary according to their working environment, the tasks they are carrying out and how equipped they are to perform them
- The most common hazard for office based workers is the use of display screen equipment (DSE)
- The most common hazard for our frontline workforce is lone working.
- Across all roles stress and muscular skeletal disorders are the most common reason for sickness absence.



# INTRODUCTION

Our workforce is our greatest asset and in 2016-17 we launched our People Strategy, a plan for developing our talent, leadership and culture in order to meet the challenges ahead. Coupled with this we have a statutory duty to keep our workforce safe and to support their health, wellbeing and resilience in a demanding work environment. This requires not only robust health, safety and wellbeing management system which assures the Council of compliance and risk management, but a positive health, safety and wellbeing culture, where people feel valued and cared for.

There is a golden thread from my door to the shop floor and I want people to feel able to raise concerns about aspects of their work that undermine their sense of safety and wellbeing, knowing that these will be addressed in an appropriate way to reduce the risk to themselves and others.

## **TRACEY LEE**

Chief Executive



The People Strategy is a medium term plan to develop the talent, leadership and culture we need to be a higher performing council and to deliver better outcomes for the citizens of Plymouth across all our services. With a smaller directly employed workforce it becomes even more critical to support our people to be happy, healthy and thriving at work in line with the Council's vision and values. In my role as Joint Strategic Director for Transformation and Change I hold responsibility as the Executive Lead for Health, Safety and Wellbeing (HSW).

The Corporate HSW Team is now part of the Human Resources and Organisational Development department and good progress is being made in line with a redefined purpose and clear priorities as outlined in a refreshed business plan. With a new vision and team structure taking us into 2017-18 there is an opportunity to further raise awareness about the importance of the Health, Safety and Wellbeing agenda and to embed good practice firmly across the organisation.



## **DAWN AUNGER**

Interim Strategic Director Transformation and Change (Transformation)

The challenge of shifting the general mindset about HSW from one which evokes thoughts about rules, regulations and restrictions, to one which is about keeping oneself and our colleagues safe, happy and thriving at work is one we should all engage in; continually finding new ways to work together to support self and others. The last year has seen the delivery of new governance arrangements, and opportunities to hold conversations with Senior Leaders in a different way.

This needs to filter through the organisation in the coming year so that everyone understands why HSW is important, how we approach the agenda in the spirit of continuous improvement and learning and what we will do individually and collectively to reduce risks and build resilience.

## **CLARE COTTER**

Interim Head of Health, Safety and Wellbeing Projects



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# EXECUTIVE SUMMARY

This report is a statement of Plymouth City Council's occupational health and safety performance to the end of the financial year 2016-17, and our improvement plans for 2017-18. The report is written in the context of a new People Strategy for the Council which sets out our commitment to developing the best leadership, talent and culture to deliver our vision for the city of Plymouth.

In 2016-17 we developed a new vision for health, safety and wellbeing:

**'A Council with an active and embedded health, safety and wellbeing culture, fully compliant with health and safety legislation and guidance'.**

**'A safe, happy and thriving workforce, able to deliver the Council's vision and objectives'.**

This is delivered through a systems leadership approach, with roles and responsibilities for HSW dispersed throughout the organisation. To support this our HSW policy has been refreshed and updated to make it more accessible.

The Executive Officer for HSW is the Joint Strategic Director for Transformation and Change, and the Corporate HSW Assurance Team are part of the HROD service area.

New governance arrangements have been put in place in 2016 which has increased the visibility and ownership of the HSW agenda at senior level. Whilst the report will show that good progress has been made, there

is still room for improvement. The procurement of a digital solution for the recording, storage, monitoring and retrieval of HSW management information in 2017 will improve visibility at all levels and support a more proactive HSW culture.

The HSW team provides the function of 'competent person' for the Council and work with colleagues across the council to ensure compliance with the Health and Safety at Work Act etc 1974 and Management of Health and Safety at Work Regulations 1999. In 2016 they were finalists for the Best Team Star Award for their caring and professional approach and support to colleagues.

There are additional competent persons in Facilities Management who are responsible for the Corporate Estate in relation to additional health and safety statutory duties, and subject matter experts at operational level e.g. first aiders and fire wardens.

The statistical information will show that there has been a slight reduction in the overall rate of incidents reported per thousand workforce population between 2013 and 2016. This would be consistent with the transfer of key functions of the Council to external provision e.g. school catering, Academies, Adult Social Care. However in 2016-17 there was a slight increase from 169 to 186 per thousand employees, which is an important feature of a positive learning culture. The Council considers the reporting of incidents an important aspect of our learning culture and our improvement plan for 2017-18 includes promoting the reporting of incidents and specifically near misses; these



are incidents where no injuries have occurred. In 2016-17 just under 40 per cent of incidents recorded had not resulted in an injury. The number of incidents of violence and aggression towards staff shows a reduction by just under half from 39.5 to 20 per thousand employees. This is due to the transfer of adult social care staff in Livewell South West and positive changes in systems, process and facility design at 1st Stop.

The number of RIDDOR reportable incidents in 2016-17 compared with 2013-14 has halved from 5.6 to 2.8 per thousand employees. No formal action was instigated by the HSE in relation to any RIDDOR reportable incidents in 2016-17.

The highest cause of incidents recorded is unintentional violence, which occur in special schools, our respite facility and on school transport. Risk assessments are in place and regularly reviewed to reduce the occurrence and impact to as far as is reasonably practicable, but due to the nature of these incidents it is not expected that this will change. The next highest cause is slips, trips and falls, which will be the focus of a critical analysis in 2017-18 to promote learning and drive improvement.

We were externally accredited with the Wellbeing Charter in 2015 and is due for reassessment in 2017. 24 volunteer Wellbeing Champions have come forward this year and will be receiving training to support colleagues and to promote wellbeing in the workplace. A training programme will be delivered by the Office of the Director of Public Health to support people undertaking these voluntary roles.

There is an Employee Assistance Programme in place 24/7 for people to contact for a range of advice and support. Uptake of this service is 8%, which is consistent with other Local Authorities. In May 2017 the Council held the first wellbeing week, and as part of a planned programme of activities the EAP was promoted.

The primary causes of sickness absence are due to stress, muscular skeletal disorders and infections (cold, flu, gastric) and a new post of Wellbeing Specialist has been created to support individuals who might benefit from support to increase their work attendance and productivity.

Strategic engagement with Trade Union representatives takes place formally through the Joint Consultative Committee Structure and Lead Rep meetings, and operationally through health and safety representatives working in the organisation through the Council's facility agreement. We have good relationships with the TUs, which helps risks to be reported quickly, and more will be done in 2017-18 to promote a more pro-active and consistent involvement with health and safety representatives in the risk assessment and incident investigation process.

The audit programme in 2016-17 focused on the Council's maintained schools and this was reported in June 2017. Where improvements have been required schools have been notified in order that remedial actions could be taken in a timely way. This is part of an overall plan to improve the HSW offer to schools in 2017-18.





# DELIVERY IN 2016-2017

In May 2016 our Corporate Management Team received a review report on the Council's HSW Management System from an external HSW Consultant. The overall picture showed significant gaps in the Council's assurance and a remedial action plan was put in place to address these.

The following report provides an account of our significant achievements.

## GOVERNANCE

- The HSW steering group was initiated in November 2016 comprising representatives from each directorate and chaired by the Executive Director for HSW. This provides a stronger link between the aims of the HSW steering group and senior leaders..
- A quality assurance framework for HSW has been introduced and work began to provide a workforce narrative for HSW based on Health Needs Assessment methodology. This will provide a clearer and more accessible understanding of the HSW needs of our staff.

## RISK

- A cohesive HSW risk register has been captured from all operational and strategic risk registers. This is now scrutinised by the HSW steering group on a quarterly basis to apply an additional level of challenge to risk mitigation. A HSW Assurance Specialist has been appointed to support each risk owner.
- As part of the new risk escalation procedure, risk summit methodology has been introduced to help reduce long standing risks in Facilities Management. Risk summits are the equivalent of a safeguarding strategy meeting, convened by exception with key decision makers present to commit resources in a timely way to resolve a risk.

## POLICY

- The Corporate Policy for HSW has been revised and presented to CMT on 30 May; this new escalation procedure. The new policy has been designed to be more user friendly with links to further information if the reader requires more depth.
- Roles and responsibilities for health and safety in the corporate function and Facilities Management

have been made clearer; and role profiles updated accordingly. This has strengthened compliance with the Health and Safety at Work Regulations 1997.

## MEASUREMENT AND PERFORMANCE

- It has been agreed that the balanced scorecard for 2017-18 will include a new performance standard for HSW: Percentage of incidents reported within 10 days. Performance against this is currently poor (46 per cent) and this will provide higher visibility and drive change. This is important to ensure that we are compliant with the HSE requirement to report RIDDOR reportable incidents within 10 days
- The HSW Improvement plan for 2017-18 is measurable and has actions for everyone in the organisation; this will be monitored on a quarterly basis at the HSW Steering Group meeting
- An 'intelligence fest' has been initiated between HR, OD, HSW and the performance team to scrutinise management information on a monthly basis. This will allow for the triangulation of data across the directorate to help identify themes and trends which drive improvement actions and better informed reports
- Scoping for a new electronic occupational health and safety management system has been completed and the ICT Board have now commissioned an options appraisal to take this forward. Implementation of an electronic system will make it easier for all staff to report accidents and incidents, and for the HSW Team to store, manage and retrieve management information.
- The license for a Safety Climate Survey has been purchased for the next five years. This will enable us to objectively measure how our people control safety and inform our improvement plans

## WELLBEING

- 24 volunteer Wellbeing Champions have come forward with funding secured from ODPH for training in April 2017. Wellbeing Champions will support colleagues in the workplace to strengthen their resilience and maintain good mental health.



## TRAINING

- A training matrix has been produced that identifies the essential HSW training required for staff, with recommendations for the types of training required for specific roles and levels within the Council. Once agreed, this will enable the Council to monitor the uptake of training in each team to ensure that the appropriate training is completed in a timely way.

## AUDIT

- A self-assessment of all schools has been completed with a further audit of four schools undertaken by the HSW Team in conjunction with an external provider. The results of these have been fed back to the schools with recommendations for action needed to improve HSW. These actions are monitored by the HSW Team to ensure delivery.
- An audit of the remaining PCC maintained schools is in progress at the time of writing this report, this will ensure a comprehensive risk profile is available which will include HSW Management Systems, Facilities Management and where applicable the schools kitchens (the latter is being undertaken under contract with CaterEd).

## IMPROVEMENT

- Work has been completed across four service areas where staffs are regularly using vibrating tools/plant machinery to ensure compliance with the Council's performance standard. This has led to the procurement of a new digital monitoring system which is currently in due process. A validation exercise has also taken place to ensure relevant staff are accessing the required health surveillance and to review systems to ensure an automated process for recalling staff at the appropriate intervals.



# ACCIDENT AND INCIDENT REPORTING AND LEARNING

All data presented in this report has been extracted from an access database managed by the corporate HSW Assurance Team. Data is presented as a ratio of incidents per thousand workforce population (headcount) to standardise the rate across the last four years when the organisation has seen a large reduction in workforce numbers. The headcount includes people working in the Council's maintained schools, which in 2016-17 includes 1,512 people serving 6,023 pupils.

Experience of the HSW Corporate Team suggests that benchmarking incident data is problematic due to the inconsistency of approach across organisations to coding and recording information. In particular not all Councils record incidents of unintentional violence; these are incidents where there was no intent to cause harm e.g where the aggressor has special educational needs and their understanding of the effects of their actions is impaired. It may also include random movements or emotional outbursts.

It is recognised that the data represents the number of incidents that are reported, which may not be the actual number of incidents that occur. Continuous improvement is always promoted as a way to promote a positive 'no blame' culture and ensure we have a learning culture within the Council. Therefore a high number of incident reports is good.

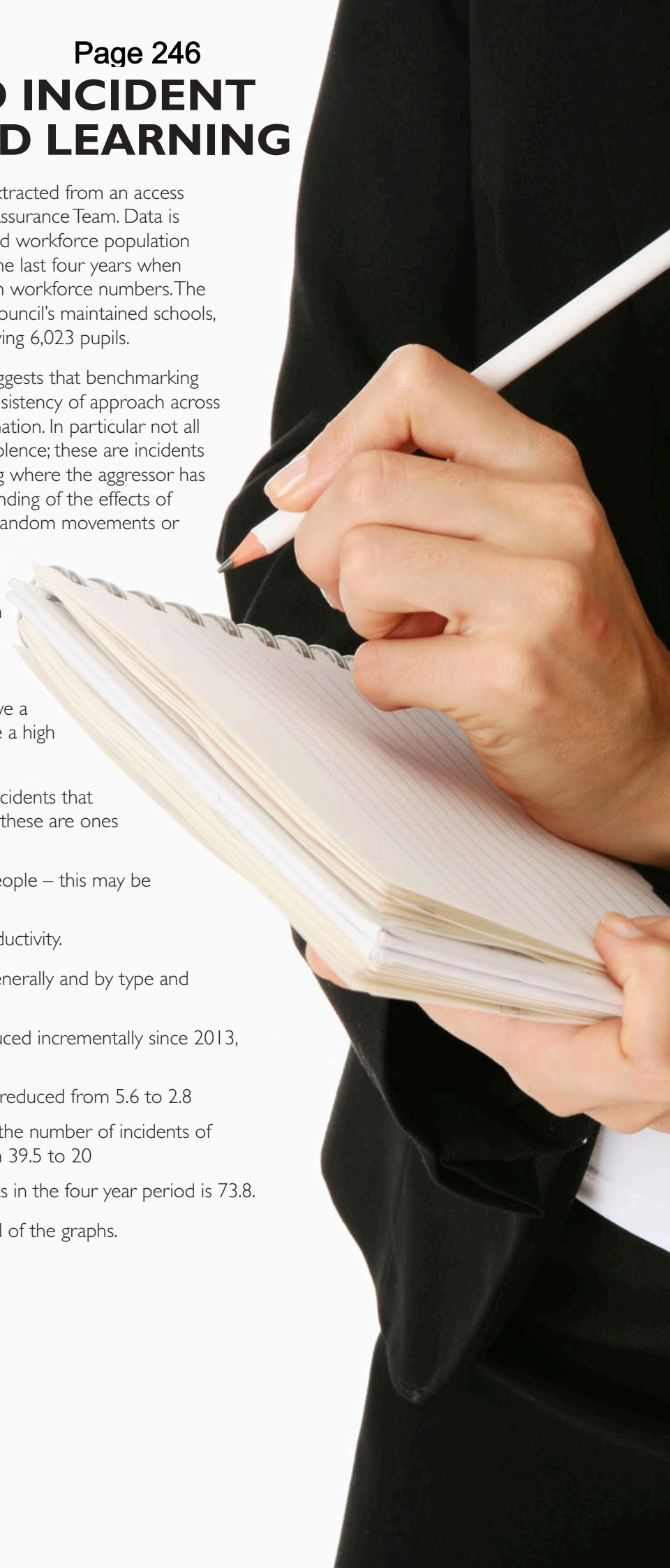
However, there are specific types of actual incidents that the Council would wish to see reduced, and these are ones that:

- Result in harm to one or more of our people – this may be physical or emotional
- Result in sickness absence or loss of productivity.

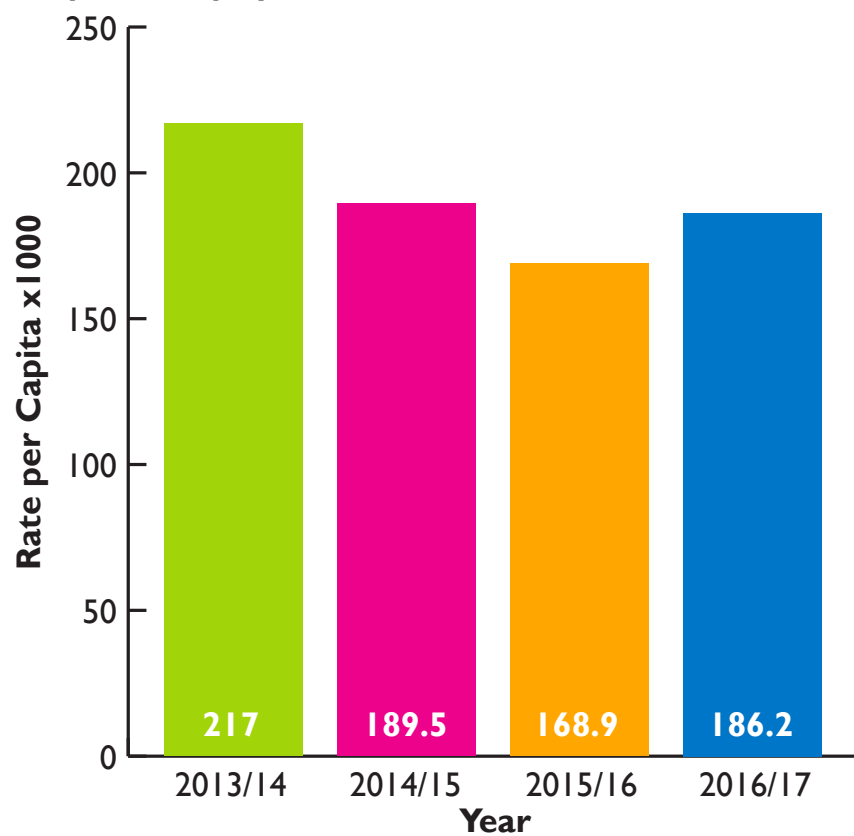
Graphs 1-4 show the number of incidents generally and by type and illustrate that:

- The overall number of incidents has reduced incrementally since 2013, with a slight increase in 2016-17
- The RIDDOR reportable incidents have reduced from 5.6 to 2.8
- There has been a significant decrease in the number of incidents of violence and aggression against staff from 39.5 to 20
- The average number of near miss reports in the four year period is 73.8.

Actions for 2017-18 are identified at the end of the graphs.

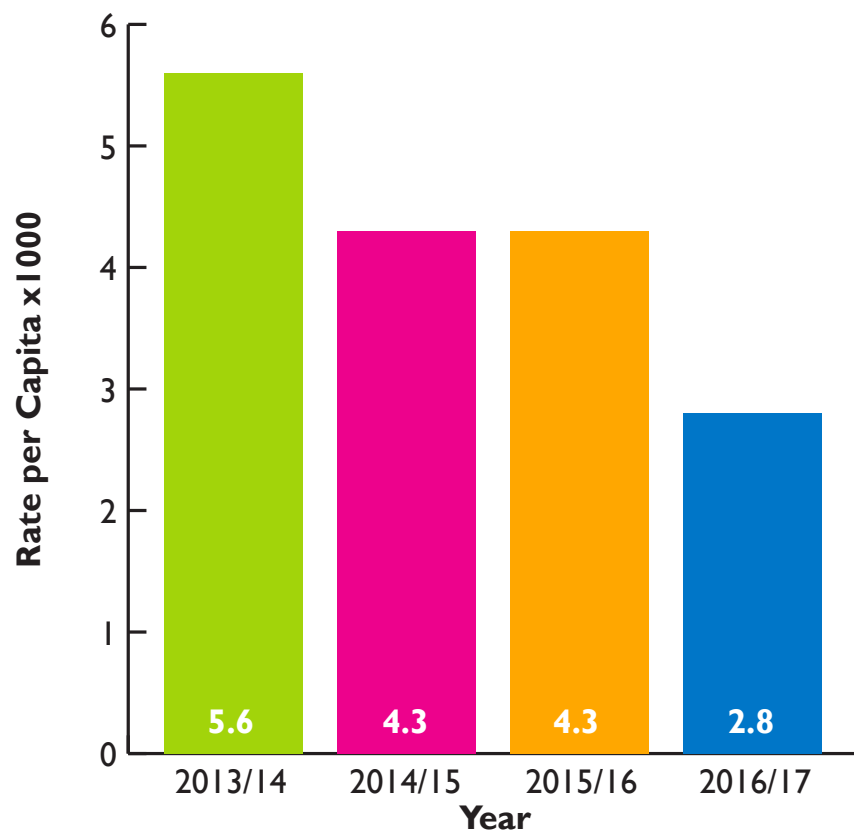


Graph 1 - Employee Incident Rate



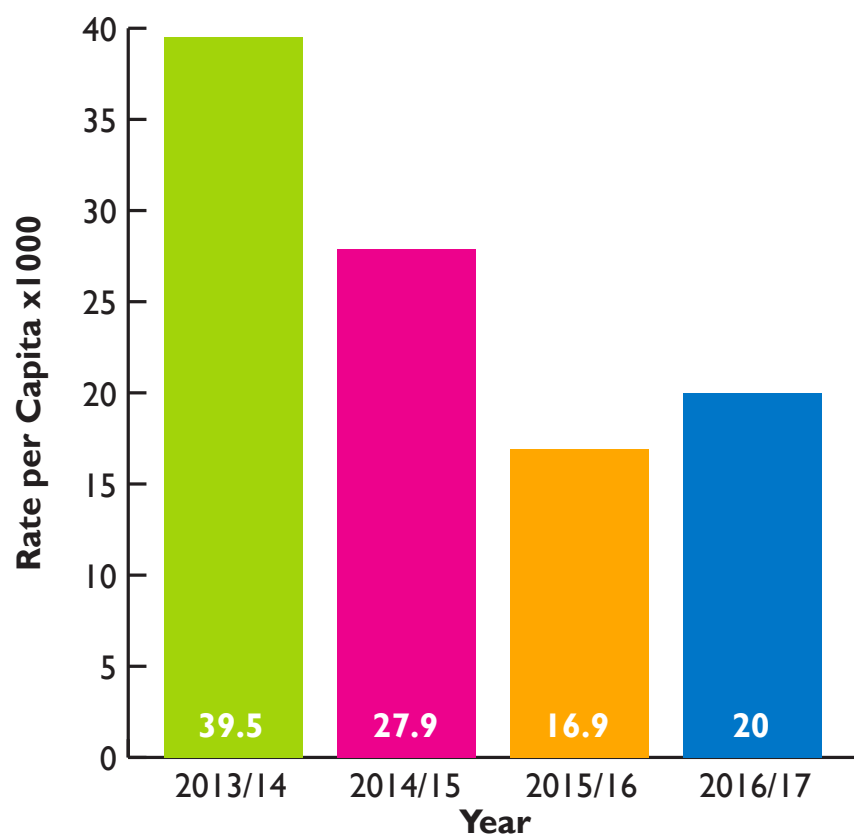
An increasing reporting trend since 2015-16 is good

Graph 2 - RIDDOR Trend



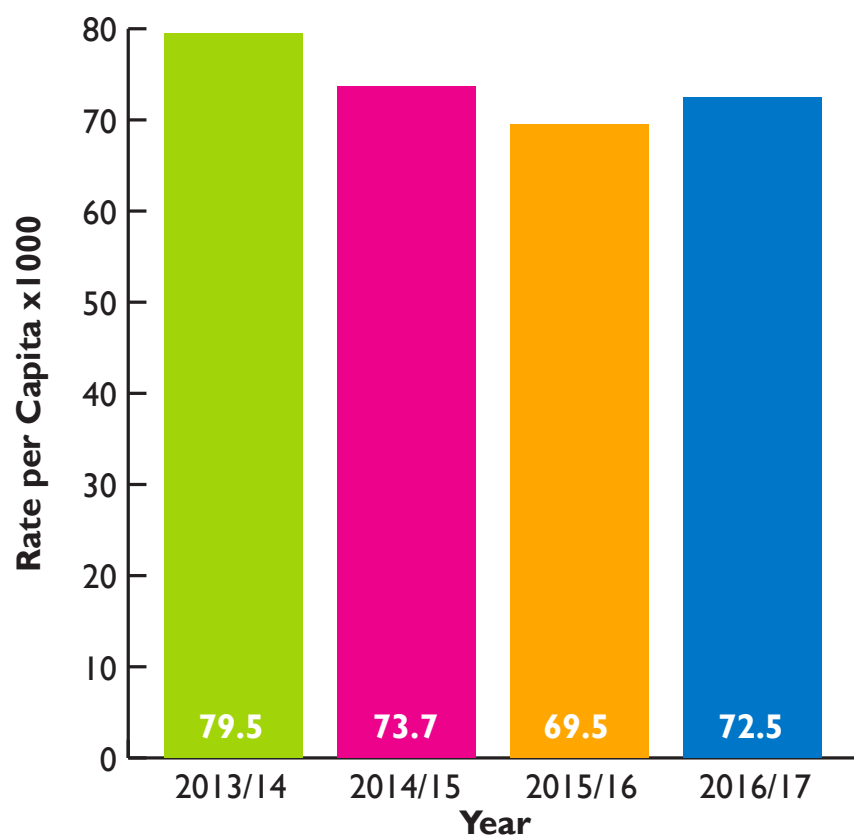
A reduction by half of incidents causing concern is good

Graph 3 - Employee Incident Rate - violence and aggression



A reduction by half of violence and aggression incidents against our people is good. This may be due to the transfer of adult social care staff into Livewell South West and improvements to systems, processes and facilities at 1st Stop

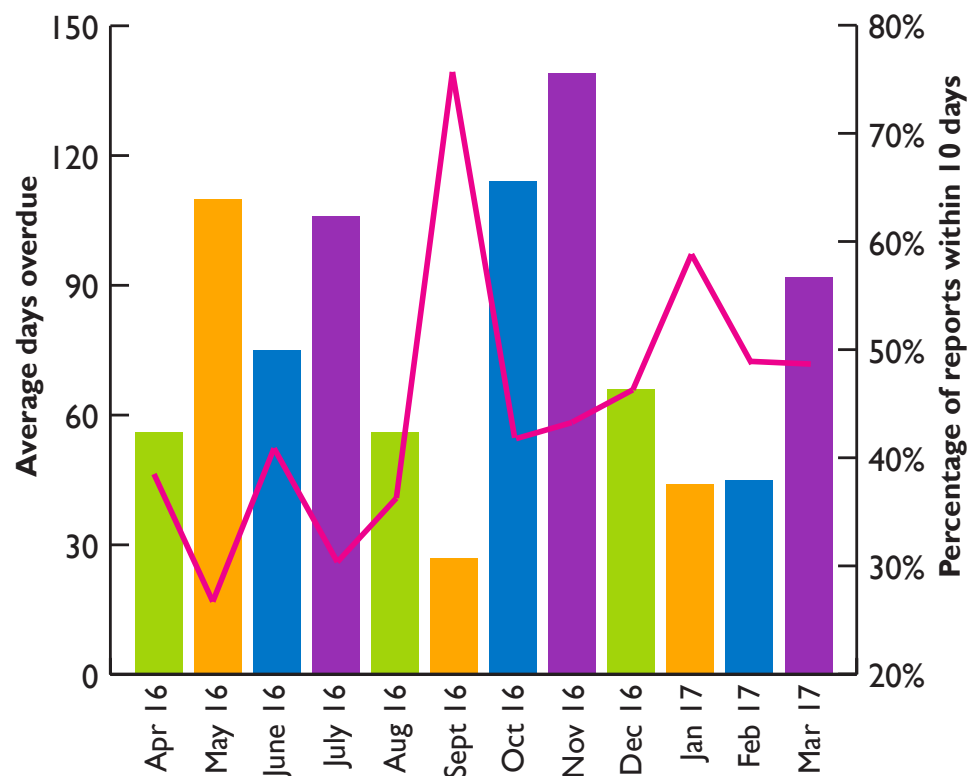
Graph 4 - Employee Incident Rate - no injury incidents



The number of incidents reported that have not resulted in injury represents 40% of the total incidents reported. This is a positive picture, with room for improvement.

### Graph 5 - Overdue Incident Reports

The graph below shows the number of incidents that have been reported within our standard of 10 days in 2016-17. This standard is set to make sure we are compliant with the HSE standard of reporting RIDDOR incidents within 15 days.



**Performance against our reporting standard is poor.**

**Table I** shows that overdue reporting has been an historical issue which needs to be addressed. When incidents occur remedial action is taken to ensure any immediate harm or injury is attended to and any imminent risk to others is taken. The time lag therefore represents a lag in reporting not action. Various campaigns have been run to improve performance with minimal impact.

Year	Percentage of incidents reported within 10 days	Average days overdue	Improvement target
2014-15	40.84	27	
2015-16	43.57	29	
2016-17	43.83	38.8	80%

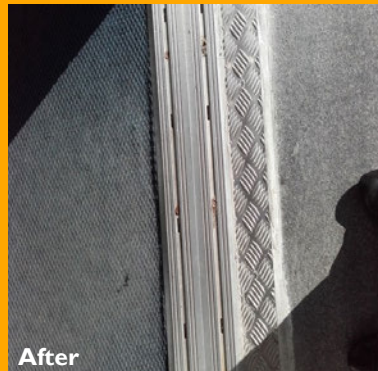
This may be due to the perception that investigations need to be completed before the incident is reported; also due to the manual system that is in place which requires manual transfer of information between three parties before it is recorded by the HSW team. The implementation of a digital system will provide a leaner process.

In the light of the above the following actions have been included in the corporate HSW improvement plan for 2017-18

- An improvement target has been set for the number of incidents reported within 10 days, with linear improvements required on a month by month basis to reach the year-end target of 80 per cent
- Action to promote near miss reporting to improve the Councils reporting and learning culture.



**Good practice example:** An employee noted that on rainy days the threshold at Ballard House was slippery. After the fourth time of slipping they took a photo and reported it as a near miss. Within a month of this being reported the threshold was replaced with a non-slip material at the main entrance. In addition the thresholds to the fire exits were also replaced



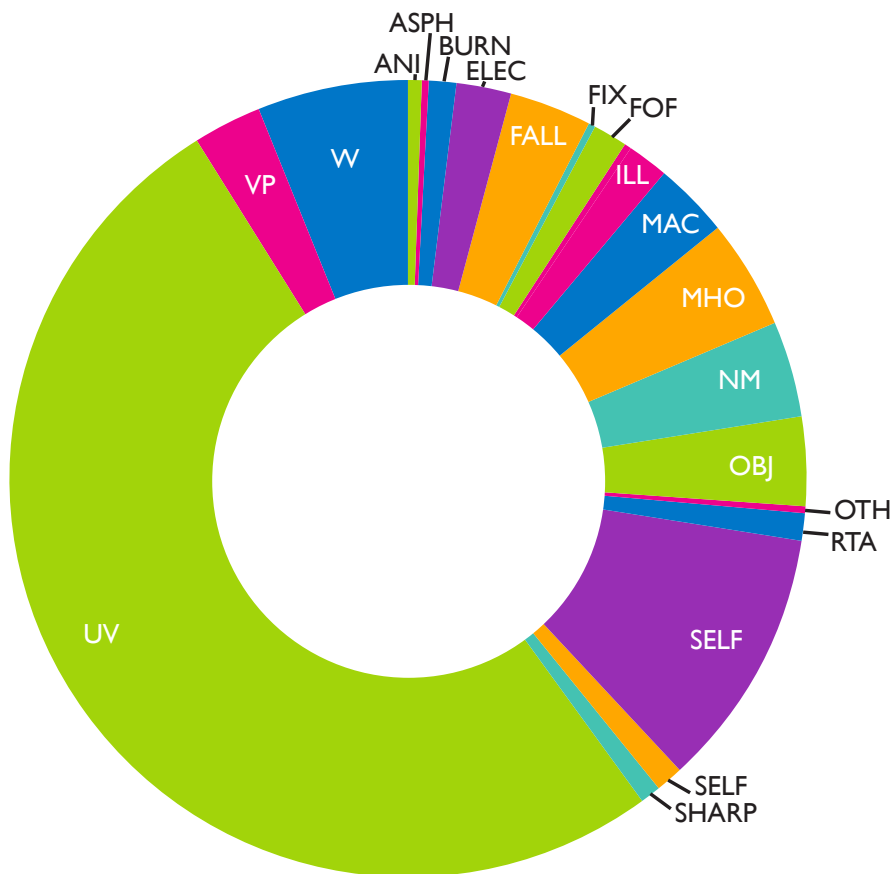
The following graphs and tables report the types of incidents reported, and show that the five most common types of incidents are:

1. Unintentional violence
2. Slips
3. Verbal assault or threat
4. Hit by moving or falling object
5. Other\*\*

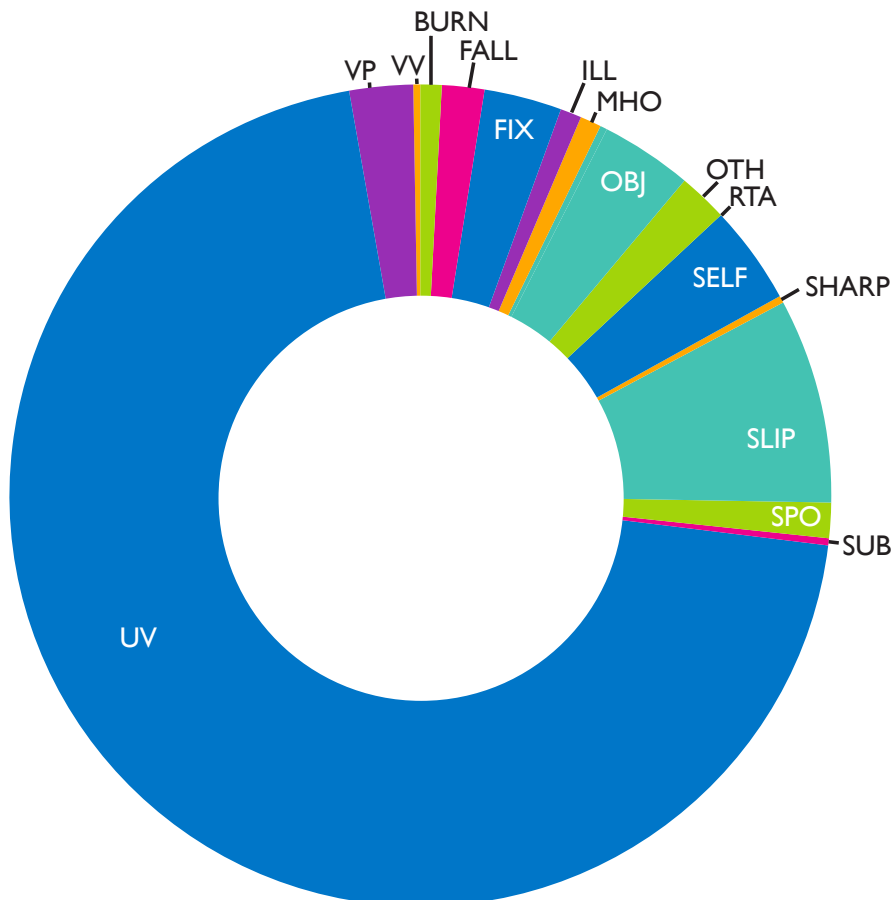
These are priority areas for departments to focus on in 2017-18.

\*\*Incidents are coded as other if it cannot be classified by any other code. For example, pupils falling off play equipment is classed as fall, but if they were hurt when running into each other it would be other.

Graph 6 - 2016-17 Incidents by type

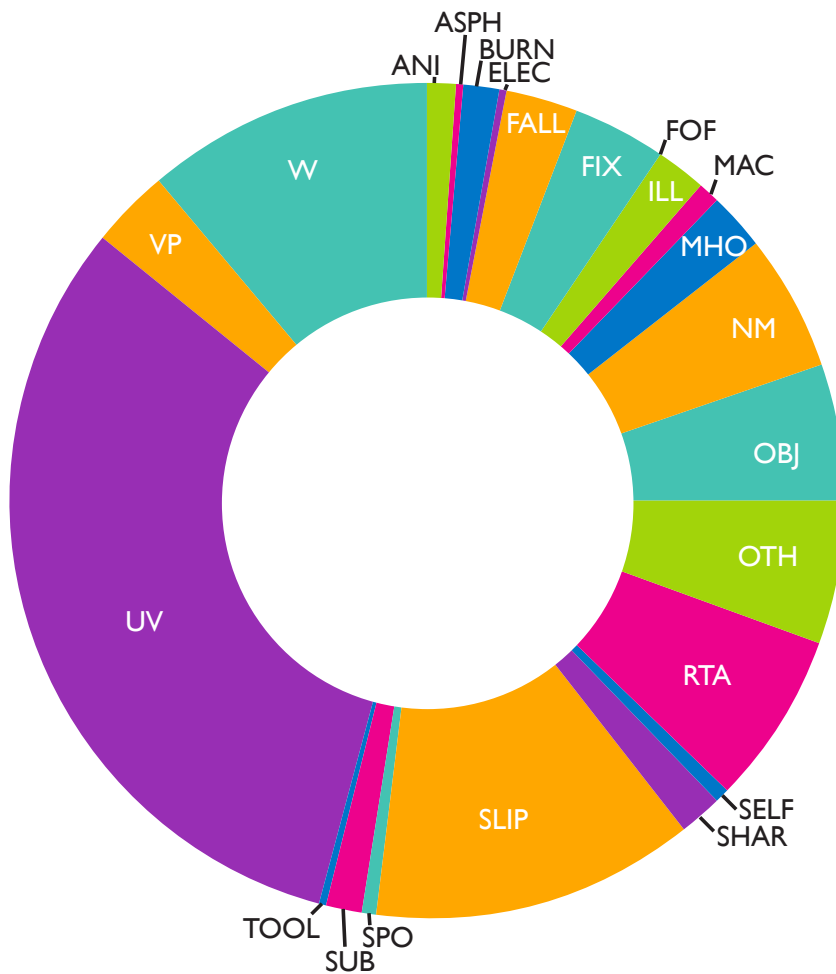


Graph 7 - 2016-17 Incidents by type - Schools

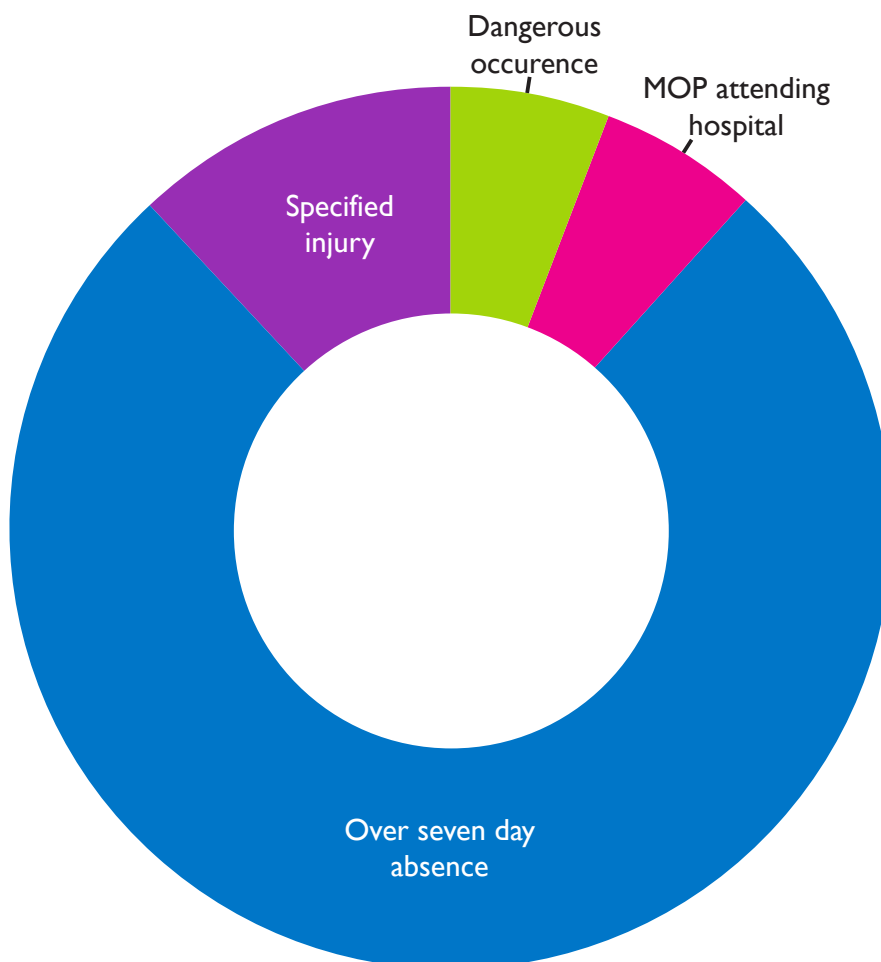
**Key:**

ANI	Injured by animal
ASB	Exposure to asbestos
ASPH	Drowned or asphyxiated
BURN	Burn/ Scald
ELEC	Contact with electricity
FALL	Fall from a height
FIX	Hit something fixed or stationary
FOF	Client/ member of public on floor with no reason
ILL	Illness, not work-related
MAC	Contact with moving machinery
MHO	Injured handling, lifting or carrying
NM	Near Miss
OBJ	Hit by moving or falling object
OTH	Other (including play incidents)
RTA	Road Traffic Accident
SELF	Self-harm (work related only)
SHAR	Cut by sharp object
SLIP	Slip, trip or fall on same level
SPO	Injured during sports activity
SUB	Exposed to harmful substance
TOOL	Injured using hand tools
UV	Unintentional violence
VP	Physically assaulted
VV	Verbally assaulted or threatened

Graph 8 - 2016-17 Incidents by type - not Schools



Graph 9 - 2016-17 RIDDORs by type



**Key:**

ANI	Injured by animal
ASB	Exposure to asbestos
ASPH	Drowned or asphyxiated
BURN	Burn/ Scald
ELEC	Contact with electricity
FALL	Fall from a height
FIX	Hit something fixed or stationary
FOF	Client/ member of public on floor with no reason
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SUB	Exposed to harmful substance
TOOL	Injured using hand tools
UV	Unintentional violence
VP	Physically assaulted
VV	Verbally assaulted or threatened



The five least occurring incidents reported are:

1. Exposure to asbestos - 0
2. Client or member of the public on the floor with no reason - 1
3. Contact with electricity - 2
4. Injured using hand tools - 3
5. Contact with moving machinery - 5

When these types of incidents occur they can have a serious impact on the individual concerned and may be RIDDOR reportable, subject to intervention by the HSE and financial penalties.

**In 2016-17 there were no interventions by the HSE and no financial penalties incurred. This is good.**



## HEALTH AND SAFETY FINES

On 8 May the BBC reported a sharp increase in the Health and Safety fines awarded to organisations for failures to comply with the Health and Safety at Work etc Act 1974 and the Management of Health and safety at Work Regulations 1999:

Research by law firm BLM shows that following the introduction of stricter health and safety regulations, the amount of fines paid out by UK firms has skyrocketed. There were 292 fines issued last year worth a total of £61m, which was a 148 per cent increase since 2015. The average cost of a fine rose from £69,500 to £211,000. New legislation on health and safety, food hygiene and corporate manslaughter offences were brought in during February 2016. Most of the fines handed out last year were to the construction industry, followed by manufacturing, leisure, logistics and transport, industrials and the public sector. 18 fines topped £1m.

Amendments to the legislation which took effect on 1 April 2016 mean that the HSE focuses on 'foreseeability' in addition to impact and this makes it critical for the Council to have a positive and HSW culture. In 2016-17 concerns have been expressed by health and safety representatives, and the Corporate HSW Team that whilst we have an effective response to identified risks and incidents as they arise, more could be done to promote a more positive and more proactive HSW culture. In 2017-18 the new vision and improved governance arrangements put us in a better position to promote this, and different aspects of the plan will support a greater emphasis on a proactive approach and culture.

Employees who have suffered injury or ill health which has been attributed to breach of the duty of care owed by the Council are able to claim for damages against the Council up to three years from the date of the event to make a claim (three years from the date of diagnosis in the case of disease). In 2015-16 there were 13 claims made of which eight have now been settled. three claims were successful at a cost to the Council of £26,717.76, four were repudiated and one was settled with full cost recovery from a third party. one additional claim has been made during 2016-17 totalling six claims currently in due process.

**In 2016-17 there are six claims in due process. In 2015-16 out of eight claims half were repudiated and one settled with full cost recovery from a third party. This is good.**

## CELEBRATING GOOD PRACTICE - PEOPLE MAKING A DIFFERENCE

Between August and January Council records have been relocated to make them safely accessible to staff including:

400 boxes of records from Plymouth and West Devon Records Office to newly cleared space in Windsor Upper Basement. The boxes were stored at an unsafe height in their original location, on top of roller racks, and were starting to collapse presenting a high risk of them falling on someone.

1,200 boxes of records from Fort Austin to Burrington Way. Fort Austin was an unsafe site for staff to visit as it is a working depot with forklifts and trucks driving around. The conditions of buildings there are quite poor with mould, damp and trip hazards. Staff had to be escorted on site every time they wanted to look at paper records.

120 boxes of records from Weston Mill and Efford Cemeteries moved to our new archiving facility at Burrington Way. This created space to remove trip hazards at Weston Mill, and allowed staff from Efford to be co-located at Weston Mill moving them away from dust and other particles which were affecting people's allergies.

Thanks to Graham Snow – Corporate Record Manager and everyone involved in this work: Louisa Blight, Ann Morgan, Debbie Watson and team at the Plymouth and West Devon Records Office; Karen Jennings and Phil Gallagher at the Bereavement Service; Staff from several departments who helped with the Fort Austin move; and not least, Lee Dyer, Julie Dyer and the Concierge teams at both Ballard and Windsor House

Following an incident where a young child sustained a head injury after having been hit by a park gate, the safety features of the offending and similar gates were assessed against RoSPA guidance and made safer. Also, an inspection form was developed for staff to undertake monthly inspections and reinforce the existing inspections regime carried out by contractors and Zurich. Thanks to: Colin Johnson and his team in Street services, parks and grounds.

The code of practice for refuse collections has been reviewed and enforced (i.e. one-side-of-road collection only) following an incident where a refuse collector was hit by an on-coming car whilst crossing a two way street. Thanks to Gerry Redmond







# AUDIT

The Council's HSW audit program this year has focused on schools, and has been a two staged process which is still ongoing

There are 100 schools in Plymouth, of which 76 have attained Academy status. The Council is therefore accountable for the health, safety and wellbeing of people working in the remaining 24 maintained schools, and members of the public (including pupils) who are impacted by the schools' business. Schools have a delegated budget under LMS which enables them to buy in support to meet their HSW accountability; they also receive a core offer of support from the Council's HSW team as described in the services for schools contract.

## Stage one: self-assessment

A self-assessment audit questionnaire was sent to all maintained schools covering all aspects of a compliant HSW Management System. This enabled the schools to assess themselves against a framework of legal compliance requirements and identify areas where improvements were needed.

**Stage two: Visit the schools then received a health and safety audit visit, of which 20 have now been completed. Each school receives an audit report which includes:**

- An indication of compliance with legislative requirements (full compliance, partial compliance or non-compliance)
- The identification of areas where best practice was or was not being followed
- Recommendations for improvements
- An action plan with associated timescales.

The Council's corporate HSW Team continues to work with each school to monitor and assure the completion of the actions.

In 2017-18 an audit programme will be run across the rest of the Council's business as outlined above.



# TRAINING

Training is an essential element of the Councils HSW Management System, and ensures people are equipped with the right knowledge, skills and understanding to maintain the health, safety and wellbeing of themselves and others whilst at work.

The Council has a range of training available; however uptake of this has been poor in 2016-17 resulting in courses having to be cancelled. Table 3 shows the number of courses planned compared to the number run, and the number of people attending.

**Table 3**

Number of courses planned	111
Number of Courses run	81
Number of Courses cancelled (main reason less than six people booked to attend)	30
Total number booked on courses	990
Total course attendance	516
Did not attend rate (per cent)	29%
Percentage attendance actual courses run	71%
Percentage evaluations received	39%
Percentage satisfaction score	91%

A review of training provision has taken place during 2016-17 and many courses that were previously face to face have been created as e-learning packages to make them more cost and time effective. A new

training matrix has been produced to ensure we have comprehensive cover for all staff including mandatory and essential training opportunities, at all levels.

In order to access e-learning employees need to have a learning zone account. In 2016-17 2294 employees had an e-learning account and of these 67 per cent had completed the HSW Induction. Where employees do not have access to the learning zone, it is the responsibility of the manager to ensure they receive a verbal induction in HSW. As part of the standard induction programme, concierge provide an induction to corporate buildings which includes HSW information eg. fire, first aid.

In 2017-18 action will be taken to improve compliance with mandatory training.

In early 2016 IOSH for Executives was run for Managers in Senior and Executive positions, and throughout the year IOSH for Managers is run for Heads of Service.

The number of evaluations received has decreased since the introduction of an electronic evaluation system; however HSW training has always been evaluated highly.

In 2017-18 action will be taken to:

- Introduce KPI's for HSW mandatory and essential training at all levels
- Put in place a mechanism by which mandatory training uptake is monitored





# WELLBEING AND RESILIENCE



## THE WORKPLACE WELLBEING CHARTER NATIONAL AWARD for ENGLAND

We became the first employer in the South West to achieve the Workplace Wellbeing Charter Award in September 2015, and continue to work to strengthen our support for wellbeing at work.

This year the Wellbeing Champion role has been re-energised and 24 more people have been come forward to volunteer.

A corporate flu vaccination programme was delivered between 23 November and 9 December. 400 flu jabs were administered to staff attending eight clinics in four different locations: Ballard House, Guildhall, Prince Rock Depot and Windsor House.

In 2017-18 we will be:

- delivering the Council's first Wellbeing Week
- working with Livewell to deliver targeted NHS Health Checks
- organising for Council's Workplace Wellbeing Charter re-accreditation
- appointing a Wellbeing Coordinator as part of the new HSW Assurance Team structure.

The future approach will be to develop the resilience of our staff through the promotion of healthy lifestyle behaviours and improving the support and resources available in support of mental health.



We commissions IMASS to provide independent occupational health advice to its staff and to support managers in making reasonable adjustments where required to reduce sickness absence. During 2016-17 an average of 30 referrals per month were made to the service with a total number of 367.

Sickness absence is reported monthly by HR and published internally on staff room. It is measured by short term absence (less than four weeks) and long term absence (more than four weeks) and available per directorate.

The following table illustrates the top two reasons for short and long term sickness absence against the top two reasons for referral to IMASS. It is expected that there would be a clear correlation between the number of staff needing sickness absence due to stress and muscular skeletal disorders and the referrals to IMASS, which is consistent with the national picture.

**Table 4**

Top two short term sickness reasons	Top two long term sickness reasons	Top five reasons for IMASS referral
Stress/ depression/ psychological	Stress/ depression/ psychological	Stress Mental wellbeing
Muscular skeletal	Muscular skeletal	Muscular skeletal

A smaller number of referrals have been made to IMASS due to respiratory, cardiac and gastro-intestinal conditions, and cancer.

IMASS has undertaken 468 pre-employment checks in support of the Council's recruitment process, and worked closely with four service areas to validate the number of employees using vibrating tools who have received health surveillance against the number of employees at risk. Health questionnaires have been distributed to all staff in this group and the results triaged by an Occupational Health Nurse to assess the level and regularity of health surveillance required.



Table 5 shows that IMASS consistently delivers a high level of service against the quality standards set by the Council:

Table 5

Quality Standard	Success rate
Initial contact is made with the employee within two days of the online referral being submitted	96%
Telephone appointments with an Occupational Health Nurse are offered within five days or less	95%
Face to face appointments with an Occupational Health Nurse are offered within 10 days or less	90%
Face to face or telephone appointments with an Occupational Health Physician are offered within 10 days or less	100%
Completed report sent to employee within five days or less	84%

Workplace assessments are delivered by the HSW Assurance Team which allows us to address and resolve workstation issues in-house where ever possible. However, for more complex cases, we use an ergonomist, Chris Pope, from Eastcliffe Services.

There were 50 referrals for work place assessment in 2016-17, representing a 37 per cent decrease when compared with the previous financial year. Of the referrals received, 22 were related to supporting individuals as a result of underlying health conditions. As a result of the referrals people are provided with advice, support and specialist equipment to support their health, safety and wellbeing.





We commission a comprehensive Employee Assistance Program from PAM Assist, which all employees, and our partners who have bought into the service, access through an 0800 number or the website. Every employee has been provided with a generic username and password for this purpose and during 2016-17 there were 2,057 hits on the website. The most frequent pages visited were for support and mental health. During 2016-17 PAM ASSIST were not required to record which department callers were in and therefore the figures reported here could be from our people or people in our partner organisations. This is being corrected for 2017-18.

The service commenced on 1 April 2016, and to date has been promoted mainly through staff news and as a standard offer to support staff during restructure consultations. This has resulted in an eight per cent uptake of the service, which is comparable to other Local Authority areas. In the latter part of 2017 discussions have been held with the Interim Head of Health, Safety and Wellbeing Projects about how to promote the service benefits more pro-actively, and plans are in place to do this in the first quarter of 2017.

The website offers a wealth of general health and wellbeing information, including money management, medicines and legal advice which people have access to 24/7 on a preventative basis. Requiring a manager to sign off access to counselling has been raised as a barrier to staff feeling the service is completely confidential and work will be undertaken to address this issue in 2017-18.

Whilst the NHS continues to work at improving access to psychological therapies, waiting lists are still an issue and this service gives staff access to timely support and a range of counselling techniques according to an individual's assessment of need, either over the telephone or face to face as appropriate. Stress continues to be the highest cause of sickness absence across the Council and PAM Assist offers a significant

service offer that if fully utilised could support a reduction in sickness absence in this area.

We have a critical mass of staff who are routine and manual workers, who do not have access to computers. Without access to web based tools during working hours, there will be specific activities in 2017-18 to promote PAM Assist to these workers, who could potentially access the service on mobile devices or home PCs out of working hours to realise the health and wellbeing benefits it offers.

The EAP service is also available to managers at any level who need support and advice in their management role. In supporting our managers to take a more proactive approach to reminding their staff of the availability of the EAP, we would be improving the possibility of people accessing help at an earlier stage which will further improve attendance and return to work rates.

The total number of people accessing PAM Assist via the telephone support line is 202, of which 80% were female and 20% were male. 426 sessions of face to face counselling were provided. This is not an unexpected gender ratio as nationally women are more likely to access health advice and counselling than men. Overall the take up of EAP and IMASS services is moderately higher for women compared to the percentage of women in the organisation, and the overall take up of services by men is significantly lower than the overall percentage of men in the organisation as shown in Table 6.

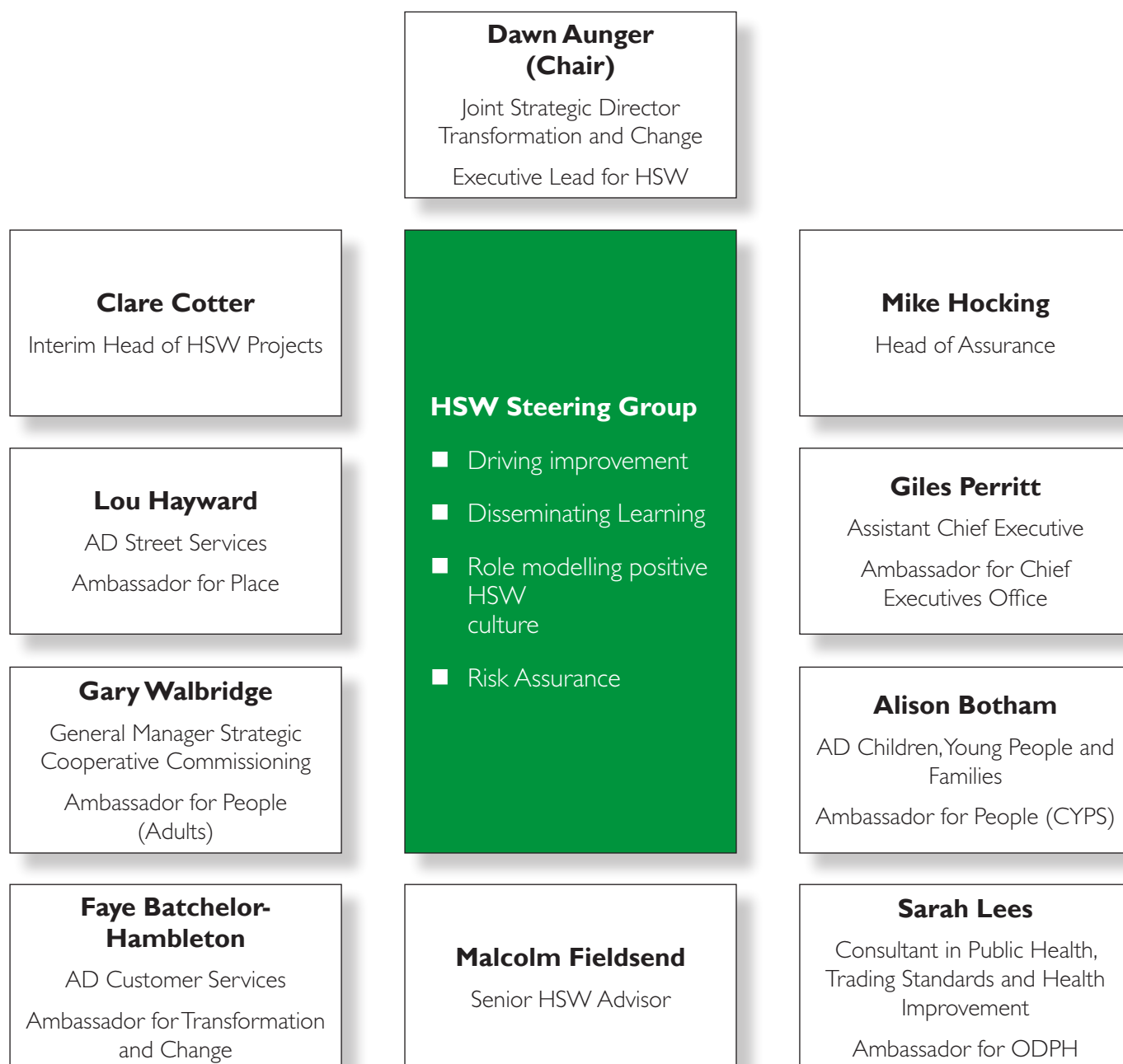
In the experience of PAM Assist, improving awareness of the information based services, ie. financial/money management and legal information and the EAP website, is likely to increase the ratio of men using the service as experience indicates that men are more likely to engage with the more practical aspects of the service in the first instance, often helping them to then engage with the counselling if this additional level of support is required.

**Table 6**

	Workforce	Gender percentage	Users of EAP	Gender percentage	IMASS referrals	Gender percentage
Female	1607	63%	95	80%	225	71%
Male	951	37%	24	20%	91	29%
Total	2558	100%	119	100%	316	100%



# STRENGTHENING LEADERSHIP AND GOVERNANCE



## KEY OUTPUTS OF HSW STEERING GROUP

- Membership secured from each directorate at AD/ HoS level with resilience in place to cover absence
- Terms of reference and governance arrangements agreed
- Tracey's February Talk announcing new arrangements and promoting HSW agenda
- Scrutiny of the Council's new HSW risk register resulting in some risks being rescored and additional actions taken to reduce the risks; HSW Advisors have been appointed to support each risk owner
- Endorsement of the Wellbeing Champion role allowing the recruitment of up to 30 Wellbeing Champions across the Council
- Agreement of a Corporate Business Plan based on each Directorates priorities for HSW improvement in 2017-18.

# CORPORATE HSW IMPROVEMENT PLAN 2017-18

## HIGH LEVEL PRIORITIES

1. Governance and training: to ensure all employees are clear about their individual role and responsibility for hsw and have completed the relevant training to support this (q2)
2. Risk: suitable and sufficient risk assessment registers are completed for all areas of service (q2)
3. Wellbeing reaccreditation at 'achievement' level for the national wellbeing charter (q3)
4. Hsw management system: an audit programme will have been delivered (q4)

## KEY MILESTONES

I GOVERNANCE		Owner	Target Date
I.1	Commencement of monthly reporting of KPI's through balanced scorecard and performance report	Assistant HSW Assurance Specialist	Completed
I.2	Monthly monitoring of performance and delivery of improvement actions	DMTs/ Heads of Service/ Team Managers	Completed
I.3	Present HSW Annual report to CMT	Head of HSW Assurance	Completed
I.4	Revised HSW Policy to CMT for approval	HSW Assurance Specialist	Completed
I.5	Business case for digital HSW management system progressed successfully through the approvals process	Programme Manager	Completed
I.6	Refresh staff room/school room including new governance arrangements	HSW Assurance Specialist	Completed
I.7	Present HSW Vision, approach and new team structure to JCC's; including new governance structure and KPI's	HSW Assurance Specialists	Completed
I.8	Options appraisal completed by DELT for digital HSW Management system	Programme Manager	In progress
I.9	Develop and agree (with Directorates and TU Reps) monthly MI for publication on staff room	Head of HSW Assurance	In progress
I.10	Produce options appraisal re external accreditation of HSW Management System	HSW Assurance Specialist	In progress
I.11	FM policies and management arrangements to be reviewed, and revised into an accessible format and published	Facilities Manager	In progress
I.12	Deliver awareness raising activities re new policy with DMT's/EDMT's	HSW Assurance Specialist	30/08/17
I.13	Cascade knowledge of new policy through all departments	Heads of Service/Team Managers	30/08/17
I.14	Produce monthly reports and publish on staff room	Assistant HSW Assurance Specialist	30/08/17
I.15	Map HSW skills of workforce and create understanding of how these skills are currently used to support the HSW agenda	Head of HSW Assurance	31/12/17
I.16	Create opportunities for networking and shared learning opportunities based on personal narratives and management information	Head of HSW Assurance	30/03/18
I.17	Quarterly monitoring of 2017-18 action plan by HSW Steering Group	Ambassadors	July/ Oct/Jan/ April

I GOVERNANCE		Owner	Target Date
1.18	Quarterly Update to CMT	Head of HSW Assurance	17/10/17 30/01/18 8/05/18
1.19	Procurement of system fit for purpose and value for money	DELT	31/03/18
1.20	Development of system infrastructure aligned to the Council's architecture	Transformation Project Manager	30/06/18
1.21	Agree implementation and communication plan	Transformation Project Manager	30/06/18
1.22	Deliver implementation and communication plans	Transformation project Manager	30/09/18
1.23	Monitor implementation and adjust system requirements as required	HSW Assurance Specialist	31/12/18

2. TRAINING		Owner	Target Date
2.1	Produce training matrix with recommendations specific to training elements, staff groups and method of delivery	HSW Assurance Specialist	Completed
2.2	Review current delivery methods across all training elements and undertake cost versus benefit analysis to ensure value for money and accessibility	HSW Assurance Specialist	In progress
2.3	Agree future provision/commissioning of training packages	Head of HSW Assurance	In progress
2.4	Develop/implement corporate monitoring system to provide assurance that people are completing mandatory training as required for their role	ICT Training Consultant	In progress
2.5	Plan and deliver corporate communications raising awareness of people's responsibilities re accessing training	HSW Assurance Specialist	In progress
2.6	Provide monthly monitoring information for published HSW reports	ICT Training Consultant	31/08/17
2.7	Monitor uptake of required training and discuss requirements at regular performance reviews	Heads of Service/Team Managers	Quarterly
2.8	Report performance and risks at quarterly HSW Steering Group meetings	Ambassadors	July/ Oct/Jan/ April

3. RISK		Owner	Target Date
3.1	Complete schools audit programme in liaison with Cornwall Council	HSW Assurance Specialist	Completed
3.2	Analyse results and present to HSW Steering Group/Operational Risk Managers Group/JCC's	HSW Assurance Specialist	30/09/17
3.3	Design and implement central system for Safety Alerts pending implementation of e-system	Assistant HSW Assurance Specialist	Completed
3.4	Raise awareness of duty to engage with TU representatives, particularly in the undertaking of risk assessments and incident investigations	Head of HSW Assurance	In progress
3.5	Create opportunity for Project and Programme Managers to embed a pro-active approach and ensure project activities are safe by design	HSW Assurance Specialist	Completed
3.6	Agree an improvement plan with Project and Programme Managers and monitor progress	HSW Assurance Specialist	In progress
3.7	Design new audit framework and present to HSW Steering Group for approval	HSW Assurance Specialist	Completed
3.8	Share audit reports and remedial action plans with individual schools	HSW Assurance Specialist	Completed
3.9	Design and deliver corporate communications plan to support audit programme	HSW Assurance Specialist	31/08/17

3. RISK		Owner	Target Date
3.10	Present audit findings to Operational Risk Managers Group/HSW Steering Group	HSW Assurance Specialist	06/09/17
3.11	Monitor delivery of remedial action plans	Assistant HSW Assurance Specialist	31/12/17
3.12	Deliver audit programme	HSW Assurance Specialist	Sept - March
3.13	Co-operate with audit programme	DMT/Heads of Service, Team Managers	Sept - March
3.14	Plan and deliver communications strategy for first use of Safety Climate Tool Q4, including publishing comprehensive details on staff room	HSW Assurance Specialist	31/12/17
3.15	Undertake SCT survey	HSW Assurance Specialist	31/03/18
3.16	Analyse results, and present report to SMT and T&C EDMT	HSW Assurance Specialist	31/05/18
3.17	Publish results on staff room	HSW Assurance Specialist	31/05/18
3.18	Monitor delivery of improvement plan, including celebrating success	HSW Assurance Specialist	Sept/ Dec/ March

4. WELLBEING		Owner	Target Date
4.1	Plan, communicate and deliver the Council's first Wellbeing Week 9 - 13 May	Wellbeing Specialist	Completed
4.2	Provide evaluation and impact with future recommendations	Wellbeing Specialist	In progress
4.3	Recruit to Wellbeing Specialist Post	Head of HSW Assurance	Completed
4.4	Produce in liaison with ODPH Health Needs Assessment of the Councils workforce to target health promotion activity	Head of HSW Assurance	In progress
4.5	Review and update HSPS 06 (Manual handling)	HSW Assurance Specialist	In progress
4.6	Create evidence bank for Wellbeing Charter Assessment and engage in assessment process	Wellbeing Specialist	30/09/17
4.7	MSD – Produce a critical analysis of current practice with recommendations for improvement/awareness raising/remedial action plans where people found to be at risk	HSW Assurance Specialist	30/09/17
4.8	Review and update HSPS 07 (DSE)	HSW Assurance Specialist	30/09/17
4.9	Review and update risk assessments in relation to HSPS 2006-07	Heads of Service/Team Managers	30/09/17
4.10	Critical analysis of slips, trips and falls incidents, root causes and learning; produce report with recommendations for improvement actions	Wellbeing Specialist	30/09/17
4.11	Promote importance of near miss reporting to embed a more pro-active approach to learning and improvement	Assistant HSW Assurance Specialist	30/09/17
4.12	Stress – implement corporate cycle of wellbeing and resilience survey	Wellbeing Specialist	31/09/17
4.13	Review and update HSPS 15 in the light of the above	Wellbeing Specialist	31/09/17
4.14	Action planning and delivery of improvement actions (see 4.10)	Head of HSW/Team Managers	31/12/17
4.15	Work with Employee Relations Manager/Specialists to agree scope of case work and initiate 1:1 conversations and support for identified staff	Wellbeing Specialist	31/12/17
4.16	Develop/maintain effective working relationships between HSW, ODPH, Livewell, IMASS, PAM ASSIST, Wellbeing Champions	Wellbeing Specialist	30/03/18

4. WELLBEING		Owner	Target Date
4.17	Review of accidents/incidents investigations and management information in order to share learning and direct wider improvement actions required	Head of HSW/Team Managers	Quarterly
4.18	Monitor improvement programme and report progress at HSW Steering Group	Ambassadors	July/ Oct/Jan/ April
4.14	Quarterly reporting of progress at Directorate level to HSW Steering Group	Ambassadors	July/ Oct/Jan/ April

5. Increased number of partners accepting HSW commercial offer		Owner	Target Date
5.1	Agree reporting framework and ToR for 6 x Advisory meetings: CaterEd	HSW Assurance Specialist	Completed
5.2	Produce 2016/17 management information and quarterly reports thereafter CaterEd	Assistant HSW Assurance Specialist	Completed
5.3	Instigate internal discussions about service 4 care services (care homes and domiciliary care providers) and mechanism for progressing this agenda	Head of HSW Assurance	In progress
5.4	Engagement with care sector re proof of concept to secure 'in principle' buy in	Strategic Commissioning Manager	In progress
5.5	Plan and deliver activities to raise profile of the team with CaterEd, Maintained Schools and Academies buying back	HSW Assurance Specialist	30/09/17
5.6	Complete audit of CaterEd kitchens, analyse results and produce report for discussion with Manager	HSW Assurance Specialist	31/09/17
5.7	Plan negotiating strategy with maintained schools in preparation for charging in 2018/19	Head of HSW Assurance	31/12/17
5.8	Scope project for implementing service 4 care services and present to SMT/EDMT/DMT	Head of HSW Assurance	31/09/17
5.9	Subject to successful proof of concept: initiate project Board with representatives from all internal stakeholders	Head of Commercialisation	31/10/17
5.10	Develop project plan and deliver	Head of Commercialisation	31/03/18
5.11	Negotiate with maintained schools and produce new services for schools offer	Head of HSW Assurance	31/03/18

## KEY OUTCOMES AND MEASURES

Outcome	Measures
<b>All employees are clear about their role and responsibility for HSW</b>	<p>Revised, accessible HSW Policy published on staff room and available for maintained schools and partners</p> <p>HSW Ambassadors for each Directorate with 95 per cent attendance rates at every steering group meeting</p> <p>Quality assurance framework in place for each directorate with identified improvement actions for 2017-18 delivered</p> <p>Meeting PCC compliance (80 per cent) against 10 day reporting standard monitored through the balanced scorecard and integrated performance reports.</p> <p>Monthly HSW reports published on staff room identifying priorities for each directorate based on an analysis of themes and trends from management information, exception reports to JCC's</p> <p>All employees completed the HSW e-learning package either as new starter or refresher</p> <p>All Heads of Service or above have in date IOSH Managing Safely Certificate (three years expiry date)</p> <p>All Senior Executives have IOSH for Senior Executives in date (three years expiry date)</p> <p>All HSW policies and performance standards reviewed and updated A-Z list published on staff room</p> <p>Evidence of TU engagement between safety representatives and staff completing risk assessments and incident investigations</p> <p>Proactive risk assessments in place, monitored and reviewed appropriately for all programmes and projects</p> <p>Systematic monitoring arrangements in place for the control of contractors</p> <p>Ability to demonstrate statutory compliance: E-system in place and operationally effective (Transformation project)</p> <p>Staff at all levels confident and competent to utilise the system for inputting data, reviewing information and using to drive improvement actions</p> <p>Information retrieval for the purpose of monitoring and reducing risk, identifying themes and trends and driving improvement actions; also for supporting HSW interventions and claims</p>
<b>All employees are clear about their individual role and responsibility for HSW and have completed the relevant training to support this</b>	<p>Workforce HSW training matrix completed with gap analysis;</p> <p>Numerator and denominator in place for each aspect with improvement measure in place for mandatory and essential aspects across all Directorates</p> <p>Provision/commissioning of new blended learning program to meet needs</p> <p>All employees completed the HSW e-learning package either as new starter or refresher</p> <p>All Heads of Service or above have in date IOSH Managing Safely Certificate (three years expiry date)</p> <p>All Senior Executives have IOSH for Senior Executives in date (three years expiry date)</p>
<b>Suitable and sufficient risk assessment registers are completed for all areas of service</b> <b>A comprehensive HSW risk profile is in place</b>	<p>HSW risk register monitored by the HSW Steering Group on a quarterly basis; risks reduced as far as reasonably practicable in a timely way</p> <p>Audit of the Council's maintained schools completed and improvement plans delivered</p> <p>Audit program delivered on the basis of an analysis of risk and management data</p> <p>Safety Climate Tool utilized to demonstrate impact and drive improvement actions</p> <p>Centralised system in place for HSE HSW Alerts</p> <p>Map of HSW expertise and competence across the workforce, skills and knowledge supporting the HSW agenda</p> <p>HSW Assurance Advisors spending 50 per cent of time in the field</p>

**The Council has achieved wellbeing re-accreditation at 'achievement' level for the national Wellbeing Charter**

Positively evaluated wellbeing week (May) and evidence of impact

50 per cent increase in number of employees accessing EAP against 2016-17 baseline

'Achievement' attained in wellbeing charter accreditation

Wellbeing Star award agreed

Quarterly cycle of staff engagement in place, including:

- Corporate wellbeing and resilience survey completed by each team, analysed and actions owned by respective departments Q1 June
- Star Award nominations Q1-2
- Star Award Ceremony Q3
- Staff Survey Q3
- Safety Climate Tool Q4

Annual analysis of results, triangulated and combined picture presented to CMT

Health Need Analysis of workforce using Thrive Plymouth criteria and general population data

Reduction in sickness absence due to stress, MSD and RIDDOR

Thorough review of top two reasons for incident and accidents making recommendations for improvement to relevant teams and departments

Pro-active HSW culture

Implementation of new approach to reporting hazards and near misses

# OUR PEOPLE STRATEGY 2016 - 2020

Human Resources and Organisational Development

## WORKFORCE VISION

A motivated, engaged and skilled workforce focused on meeting the needs of the citizens of Plymouth

**We will focus on three key themes to support the transformation of the Council**

### TALENT

We will attract and retain talented people and develop their strengths

### LEADERSHIP

Our leaders will be confident, inspiring, and role model our values

### CULTURE

The way we will do things around here to be at our best

## How we will know we have been successful?

### When our people tell us

- I have **opportunities to learn and develop** my career
- Our **leaders live by our values** and are positive role models
- I am **inspired** to **give my best** every day
- I believe Plymouth City Council **cares about me** and is committed to **my health, safety and wellbeing**
- I work hard but still enjoy a healthy **work life balance**
- I feel that **what I do matters** and my contribution counts and is **rewarded fairly**
- I can access **simple, standard tools and processes** which help me to **achieve my objectives**

### When our Council transforms to

- Match the **talents, strengths and interests** of our staff to the work we need to do
- **Retain and motivate staff** with a total reward approach to **pay, reward and recognition**
- Be an employer staff are **proud to work for**, promoting our vision, purpose, values and goals
- Foster a **culture of collaboration, innovation and engagement** that **enables or empowers** staff to listen, understand and **work together** to respond to our citizens' needs
- Be an **outcome focussed, values led** culture
- Be a leader in the city for **celebrating and valuing** diversity

## Our people plan will be underpinned by our corporate values

### WE ARE DEMOCRATIC

Plymouth is a place where people can have a say about what is important to them and where they can change what happens in their area.

### WE ARE RESPONSIBLE

We take responsibility for our actions, care about their impact on others and expect others will do the same.

### WE ARE FAIR

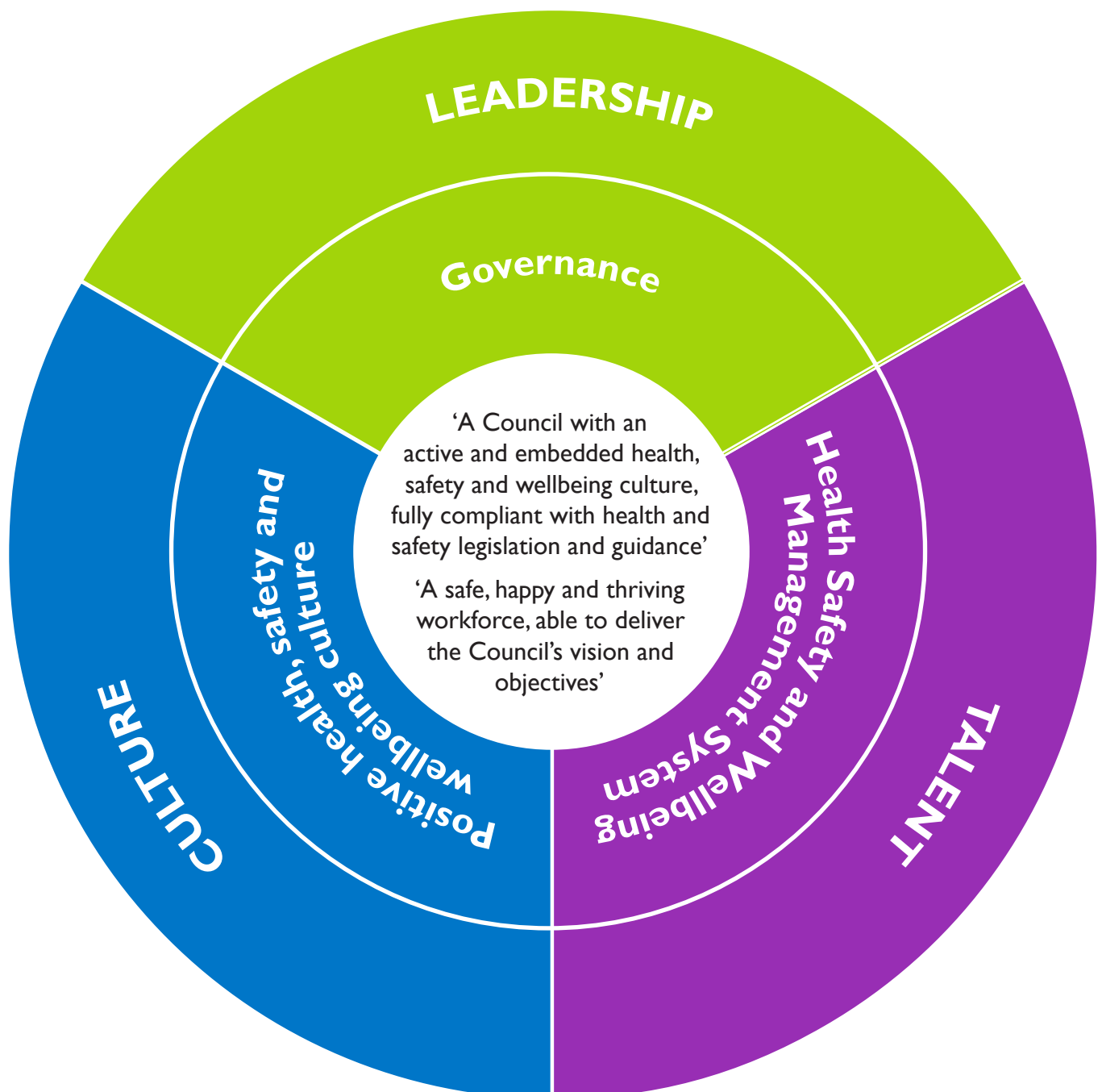
We will be honest and open in how we act, treat everyone with respect, champion fairness and create opportunities.

### WE ARE PARTNERS

We will provide strong community leadership and work together to deliver our common ambition.



## HEALTH, SAFETY AND WELLBEING VISION



HS&W Annual Report  
Published by Plymouth City Council  
Version Seven - September 2017

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# Audit Committee Work Plan 2017/18

		2017							2018					
Item	Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Draft Statement of Accounts 2016/17 and Annual Governance Statement	Carolyn Haynes	29			14									
Strategic Risk and Opportunity Register Monitoring Report and the Integrated Commissioning Risk Register	Mike Hocking				14						15			
Operational Risk and Opportunity Management - Update Report	Mike Hocking	29						7						
Risk and Opportunity Management Annual Report 2016/17	Mike Hocking	29												
Information Annual Governance Report	Mike Hocking / John Finch				14									
Annual Report on Treasury Management Activities for 2016/17	Chris Flower	29												

# Audit Committee Work Plan 2017/18

Item	Lead Officer	2017							2018					
		J	J	A	S	O	N	D	J	F	M	A	M	J
Treasury Management Practices, Principles and Schedules 2018/19	Chris Flower										15			
Mid-Year Treasury Management Report 2017/18	Chris Flower							7						
Treasury Management Strategy 2018/19	Chris Flower							7						
Counter Fraud Annual Report	Mike Hocking / Ken Johnson	29												
Health and Safety Annual Report	Clare Cotter				14									
Internal Audit Annual Report 2016/17	David Curnow / Brenda Davis	29												

# Audit Committee Work Plan 2017/18

		2017							2018					
Item	Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Internal Audit Half Year Report 2017/18	David Curnow / Brenda Davis							7						
Internal Audit – Progress Report	David Curnow / Brenda Davis				14									
Internal Audit Follow Up Report 2016/17	David Curnow / Brenda Davis				14									
Internal Audit Charter and Strategy 2018/19	David Curnow / Brenda Davis										15			
Internal Audit Plan 2018/19	David Curnow / Brenda Davis										15			
Annual Report to Those Charged with Governance (ISA260 Report) 2016/2017 including Value for Money (VFM) (External Auditor)	External Auditor BDO				14									

# Audit Committee Work Plan 2017/18

		2017							2018					
Item	Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
External Audit Progress Report	External Auditor BDO	29						7						
Planning Report (March 2018) (External Auditor)	External Auditor BCO										15			
Annual Audit Letter	External Auditor BDO							7						
Planning Letter (External Auditor)	External Auditor BDO	29									15			
Grant Claims and Returns Certification (External Auditor)	External Auditor BDO										15			
Integrated Commissioning – Finance Assurance Review Group – Annual Report 2016/17 including ASW Audit Programme for CCG	David Northey							7						

Audit Committee Work Plan 2017/18														
		2017							2018					
Item	Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Surveillance, Covert Activities and the Regulation of Investigatory Powers Act 2000 (RIPA)	Alexander Fry	29												
Protecting the Public Purse – Counter Fraud Annual Report	Mike Hocking / Ken Johnson							7						
Review of Rolling Work Plan	Lead Officer/DSO	29			14			7			15			
Items to be Scheduled 2017/18														
Director of Children's Services Local Assurance Test Review	Carole Burgoyne	29												

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The following relates to exempt or confidential matters (Para(s) 3 of Part 1, Schedule 12A of the Local Govt Act 1972). Any breach of confidentiality could prejudice the Council/person/body concerned & might amount to a breach of the councillors /employees codes of conduct.

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