

# 2019/20 DRAFT STATEMENT OF ACCOUNTS



This page is intentionally left blank

**CONTENTS**

Narrative Report from the Service Director for Finance and Section 151 Officer .....	4
Statement of Responsibilities for the Statement of Accounts .....	22
Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2020 .....	23
Movement in Reserves Statement for the Year Ended 31 March 2020.....	24
Balance Sheet as at 31 March 2020 .....	25
Cash Flow Statement.....	26
Notes to the Financial Statements.....	27
Notes to the Collection Fund.....	102

## **NARRATIVE REPORT FROM THE SERVICE DIRECTOR FOR FINANCE AND SECTION 151 OFFICER**

### **INTRODUCTION**

I am pleased to introduce our Annual Financial Report and Statement of Accounts for 2019/20. The Narrative Report provides me with an opportunity to set the financial scene and to highlight the financial challenges currently being faced by the Council as it strives to continue to provide high quality services to Plymouth residents with diminishing financial resources. The Statement of Accounts aim to not only present the Council's outturn financial position for 2019/20, but also to provide a summary of Plymouth City Council's financial affairs for the 2019/20 financial year and of our financial position as at 31 March 2020.



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. The Council has fulfilled its stewardship function for all of the public money entrusted to it in a cost effective and appropriate manner.

The COVID-19 pandemic has resulted in the most widespread adjustment to our way of life. Although the impact on the 2019/20 financial year has been limited, the impact of the pandemic will have a major impact on future financial years and places additional strain on the budget for 2020/21. The effect on both the local and national economy will not be determined with any accuracy for some time. However, the pandemic will have a significant impact on the Council's resources in terms of lost income and increased expenditure.

The reported revenue outturn position for 2019/20 is a small overspend of £0.005m. However, this needs to be seen in context of the financial challenges the Council faced during the year

It is important to note that the deadlines for the production of the Statement of Accounts for 2019/20 have been changed. The Ministry of Housing, Communities and Local Government (MHCLG) whilst considering the impact of the COVID-19 pandemic and in consultation with key stakeholders, introduced the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations 2015.

The draft Accounts must now be submitted for audit by 31 August 2020 rather than 31 May 2020 and the timeline for completion of the annual audit is 30 November 2020 rather than the 31 July 2020.

The Council will submit the draft Statement of Accounts to the Audit Committee on the 21 September 2020 to allow Members the opportunity to review them before they are asked to formally approve them.

The Finance Service is continually reviewing and improving its processes and procedures. For the 2019/20 accounts process, they have taken on board all of the recommendations and comments made by the External Auditor as part of the 2018/19 accounts audit. This year has been particularly challenging as all members of the Finance Service have had to work from home as a result of the national lockdown. This coincided with the end of the financial year, providing COVID-19 financial support to local businesses and local Plymouth services and the critical time for finalising the Statement of Accounts.

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

# THE PLYMOUTH PLAN 2014 - 2034

## WHAT WE WANT TO ACHIEVE...

### LEADING CITY

A city fulfilling its strategic role as a major economic driver for the heart of the South West

### HEALTHY CITY

People live in happy, healthy, safe and aspiring communities

### GROWING CITY

A city which has used its strengths to deliver quality and sustainable growth

### INTERNATIONAL CITY

Plymouth is internationally renowned as the UK's premier marine city, and famous for its waterfront, maritime heritage and culture.

## HOW WILL WE KNOW WE'RE SUCCESSFUL?

Plymouth is recognised as a **key regional economic driver**

Plymouth has **high quality strategic** services and facilities

The quality and resilience of Plymouth's **transport and digital connectivity** has improved

Plymouth's strategic **defence role** has been safeguarded and strengthened

Plymouth's stunning setting and **natural assets** have been enhanced

People get the **best start to life**, enjoy a better quality of life and increased life expectancy

More people are taking care of themselves or **finding care** within their community

More residents are contributing to and **involved in their community**

There is **good quality health** and social care for people who need it

Plymouth has good quality neighbourhoods where people feel **safe and happy**

Plymouth's population has grown to more than **300,000**

Plymouth continues to be recognised as a **leading Green City**

Plymouth has more vibrant, productive and **innovative businesses**

People have the skills to be **school ready and work ready** to meet the needs of the city

Plymouth has the right environment for **growth and investment**

Plymouth offers a diverse **cultural experience** with a major events programme

Plymouth is internationally renowned as a leading UK **tourist destination**

Plymouth is recognised internationally for **marine science** and high technology manufacturing

Plymouth has a reputation for **world class universities** and research institutions

Plymouth has a reputation as a **welcoming and multicultural city** with diverse communities

## WHAT PRINCIPLES WILL GUIDE US?



### POWER

People have confidence that they can influence decisions that affect them.



### OPPORTUNITY

People have more opportunities to contribute to and benefit from the Plan Area's future.



### ROOTS

People belong and care about their communities future and their own.



### CONNECTIONS

People mix, learn from each other and work together.

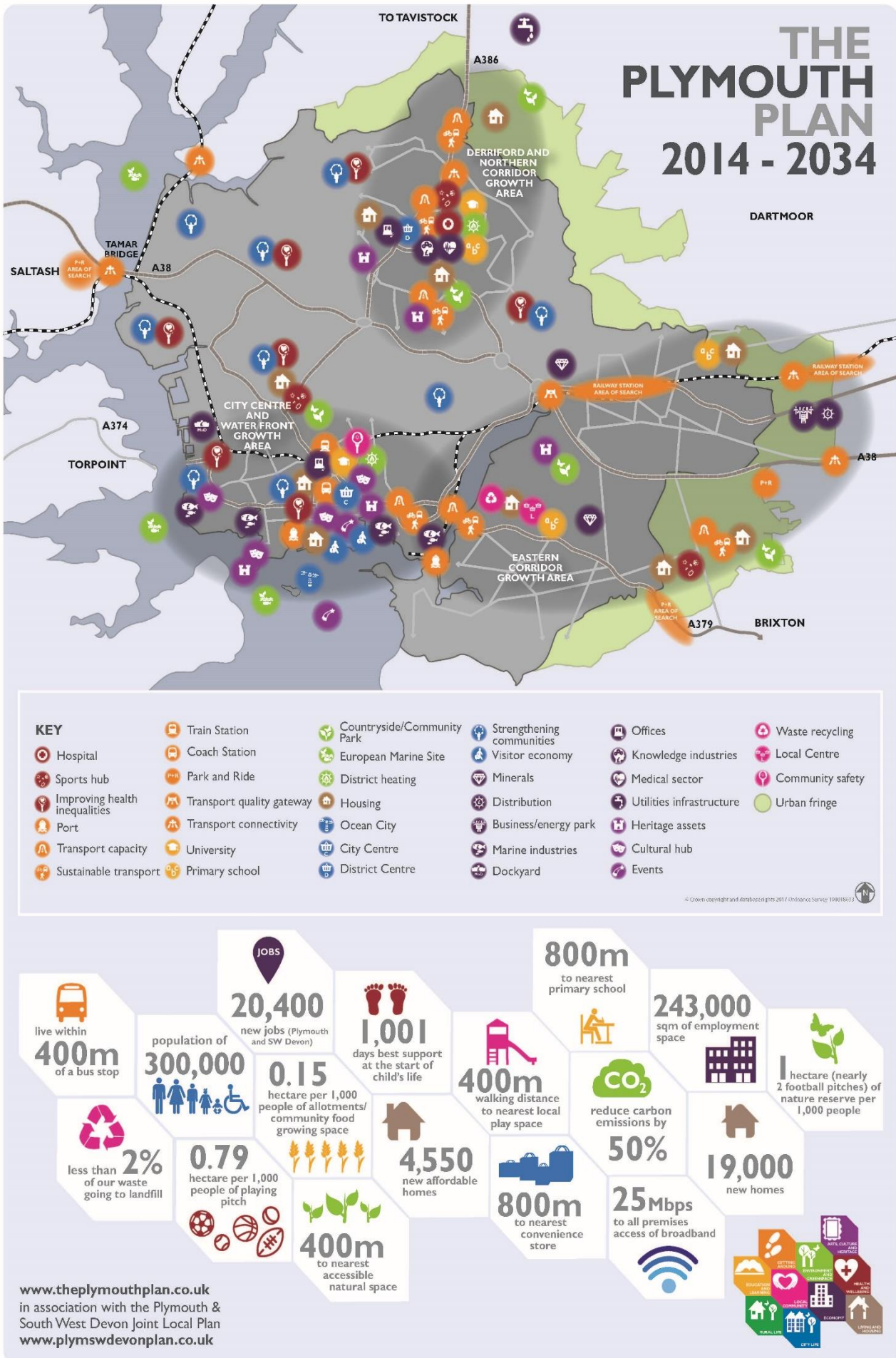


### FLOURISH

People, communities and businesses thrive in a creative and diverse environment.







# OUR PLAN

## A CITY TO BE PROUD OF



### 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 MISSION** Making Plymouth a fairer city, where everyone does their bit.

### OUR VALUES

#### WE ARE DEMOCRATIC

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

#### WE ARE RESPONSIBLE

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

#### WE ARE FAIR

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

#### WE ARE CO-OPERATIVE

We will work together with partners to serve the best interests of our city and its communities.

### OUR PRIORITIES

#### A GROWING CITY

- A clean and tidy city
- An efficient transport network
- A broad range of homes
- Economic growth that benefits as many people as possible
- Quality jobs and valuable skills
- A vibrant cultural offer
- A green, sustainable city that cares about the environment.

#### A CARING COUNCIL

- Improved schools where pupils achieve better outcomes
- Keep children, young people and adults protected
- Focus on prevention and early intervention
- People feel safe in Plymouth
- Reduced health inequalities
- A welcoming city.

### HOW WE WILL DELIVER

Listening to our customers and communities.

Providing quality public services.

Motivated, skilled and engaged staff.

Spending money wisely.

A strong voice for Plymouth regionally and nationally.

**Plymouth**  
Britain's Ocean City

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

## AIMS, OBJECTIVES AND ACHIEVEMENTS

The Statement of Accounts should be read in conjunction with the Council's Corporate Plan and Corporate Plan Performance Report which is focused on our mission to 'make Plymouth a fairer city, where everyone does their bit'. That means everyone working together towards our shared ambition to be a growing city and a caring Council. Our Corporate Plan 2018 to 2022 has a greater emphasis on ensuring Council decisions are driven by our shared values and priorities. We want to explore new ways of working and making the best use of our assets as we balance the books.

## PLYMOUTH CITY COUNCIL DEMOCRACY AND GOVERNANCE

Democracy and governance plays a huge part for the Council in ensuring good governance and strong decision making across the Council. The Council is a complex and large organisation. Policies are directed by the political leadership (Leader and Cabinet) and implemented by the Corporate Management Team (CMT).

The Council is made up of 57 councillors for 20 wards. The political make-up of the Council during 2019/20 was:

- Labour Party – 30 Councillors
- Conservative Party – 25 Councillors
- Independent – 2 Councillors

The Council is controlled by the Labour Party and has adopted the 'Strong' Leader and Cabinet model as its political management structure. The Leader of the Council (Cllr Tudor Evans OBE) has responsibility for the appointment of Members of the Cabinet (also known as the Executive), the allocation of Portfolios and the delegation of executive functions. The Cabinet is the main decision making body of the Council. It is responsible for policies, plans and strategies, which must be implemented within the budgetary and policy framework adopted by Full Council. The Council elects the Leader each year at the Annual General Meeting (usually held in May).

Councillors are supported by CMT, which is headed by the Council's Chief Executive, Tracey Lee. CMT are responsible for the overall management of the Council, for setting and monitoring overall direction and ensuring high performance in the delivery of council services. Including Tracey Lee, CMT is made up of eight members.

The Council also has a number of committees which include Planning, Licensing, Audit and Governance, various Overview and Scrutiny Committees and a number of others to support the democratic process.

The Council operates by way of the Council Constitution. The Constitution is a legal document and includes items such as Council procedure rules, financial regulations, the scheme of delegation and responsibility for functions. The Council is also required to produce an Annual Governance Statement (AGS) each year to meet the requirements of the Accounts and Audit Regulations 2015 and the principles set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: 'Delivering Good Governance in Local Government'.

## Plymouth – Britain's Ocean City

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 263,100 (2017) and a further 100,000 residents in the travel to work area, Plymouth is the largest city on the South coast and the 15<sup>th</sup> biggest city in the country. 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.

### Regional influence

Plymouth City Council has representation on the Board of the Heart of the South West Partnership Local Enterprise Partnership (HotSW LEP). The HotSW LEP is one of 38 LEPs in England covering Devon, Plymouth, Somerset and Torbay. This is a business-led partnership between the private sector, local authorities, universities and colleges. The LEP vision is to create a dynamic, highly prosperous region with high living standards and an outstanding quality of life; their mission is to raise productivity and ensure prosperity for all. The LEP Board comprises of public and private sector members who work collaboratively to ensure that decisions are made in the interests of promoting inclusive growth, prosperity and improved productivity across the Heart of the South West. The LEP Board oversees the LEP's delivery programme of infrastructure, business support and skills projects worth three-quarters of a billion pounds, which are currently planned to be delivered by 2025 in line with the Local Assurance Framework.

### 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, promoting a shared direction of travel for the long term future of the city 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 address the issues which lead to child poverty. It sets out the Council's mission to 'Make Plymouth a fairer city, where everyone does their bit'.

The Plymouth Plan includes plans to increase its resident population to 300,000, build an additional 19,000 homes (of which 4,550 are affordable), reduce carbon emissions by 50%, improve broadband to all premises and to create 20,400 jobs. The Council worked closely with local strategic partners West Devon and South Hams Councils to create 'The Plymouth and South West Devon Joint Local Plan' to support local thriving towns and villages. The three councils joined up to create this plan (now adopted) which looks at every aspect of how we want our cities, towns and villages to look and feel over the next 20 years. The existing policies in the Plymouth Plan will now be combined with the Plymouth-specific policies in the new Joint Local Plan to create one document.

### COVID-19 Pandemic

The COVID-19 pandemic has had a considerable impact on the city and the Council. Some of the impact was seen towards the end of the 2019/20 financial year. However, in 20/21 the Council is expecting to incur significant increased costs as well as a drop in its income due to the closure of many of the Council's car parks and other facilities. The impact of COVID-19 would have been felt far more if the Council had not embarked on their ambitious The Way We Work (TWWW) programme. Staff were able in the main to work from home as soon as the Country's lockdown commenced and key Council services were able to continue uninterrupted to the benefit of Plymouth businesses and residents.

### 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 Science, Technology, Engineering

and Mathematics (STEM) 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'll all need to think and work differently. We are currently delivering an unprecedented transport programme of over £150m. In 2019/20 we completed work on improvements to one of the City's most stressed junctions at Charles Cross and work to create the new Forder Valley link road is now well underway.

### **Mayflower 400 & 'The Box'**

The Box is Plymouth's new £46m cultural destination proudly led by Plymouth City Council. With funding secured from the City Council, the Heritage Lottery Fund and Arts Council England, The Box aspires to deliver an ongoing programme of international significance. The opening of The Box is the most significant cultural initiative in the UK in 2020. The galleries, collections and archives, which make up The Box are also flagship projects of the Mayflower 400 commemorations. The original City Museum and Art Gallery have been completely transformed and extended to combine the original Edwardian building with the former City Library and St Luke's church. The Box also features a striking elevated 'archive in the sky' with research and learning facilities, along with a major new public square for gigs, performance, theatre and events. Six outstanding national collections, over two million artefacts, archives, film, photographs, figureheads, the Mayflower and a mammoth form part of this exciting new venue. Unfortunately, the majority of events planned to celebrate the Mayflower 400 and the opening of The Box have been delayed due to the COVID-19 pandemic and this will impact on the ambitious income projections which formed part of the project.

### **Transforming service delivery**

In April 2019 we moved into the sixth year of our successful transformation journey. This has enabled Plymouth City Council to deliver over £108m of budget savings and efficiencies in the last six years.

The Council embarked on 'The Way We Work' (TWWW) programme in December 2017, which completed in August 2019. The 'Workforce Modernisation Programme' has evolved from TWWW and has been designed as a two tranche programme to be delivered July 2019 to March 2022.

The Workforce Modernisation Programme's vision is:

*'To be a modern workforce where our people are empowered to be progressive, responsible and offer great services to customers.'*

In order to deliver against its vision the Workforce Modernisation Programme has been set-up and planned to deliver across the four key themes of 'How We Work', 'Employee Offer', 'Structures and Frameworks' and 'Technology'.

It is expected that the programme will modernise our workforce over the next three years and deliver outcomes that realise four key benefits:

- reducing expenditure;
- increasing employee performance and improved staff health and well-being;
- increasing organisational compliance;
- improving customer satisfaction.

The future shape of Plymouth City Council will reflect an intelligent organisation making effective use of the data available, working closely with their communities, developing models for alternative service delivery vehicles, supported by streamlined services and placing the customer at the heart of the Council's culture.

Services have been modernised and we have created a number of profitable arms-length companies or Alternative Service Delivery Vehicles (ASDV) to support the Council and partners in the city such as DELT Shared Services, CATER<sup>ed</sup>, Fully CATER<sup>ed</sup> and ARCA (Plymouth) Limited.

We have also introduced new technology to provide staff with more efficient ways of working and we are delivering a modern library service that is more focused on the needs of Plymouth residents.

We are now moving into the next stage of our journey, which will enable us to respond to drivers for change including delivering the ambitions for growth set out in the Plymouth and South West Devon Joint Local Plan.

Our priorities include:

- continuing to improve our performance;
- meeting the changing expectations from residents;
- joining up our services with partners to improve efficiency and make things easier for customers;
- supporting the transformation of NHS services through its Strategic Transformation Plan (STP);
- working with schools to change our education services;
- working with our partners across the South West to pursue our shared interests.

### **Resurgam – COVID-19 Economic Recovery Plan**

The Council has launched its exciting COVID-19 Economic Recovery Plan – Resurgam as a local response to the global pandemic. This is a plan for recovery and it has six key pillars:

1. Sector Action Plans – setting up of sector taskforces to work with sector leaders and groups to deliver focused and tailored support;
2. Build 4 Plymouth – to help stimulate recovery by accelerating big construction, building and infrastructure projects that will create jobs and build foundations for future prosperity;
3. City Centre Renaissance – developing the city centre for mixed use and a more locally distinctive offer for the people of Plymouth;
4. Spend 4 Plymouth – focusing on the importance of spending in Plymouth to support local jobs and the economy;
5. Recovery Beacons – transformational projects that will symbolise the city's recovery and set the direction for positive change in the city;
6. Skills 4 Plymouth – helping people to gain the skills they need to meet the demand of local employers and sectors to aid the recovery and address future skills demands.

A number of key strategic projects are now taking shape and are in the process of being delivered which should help the city recover from the impact of COVID-19.

### **The Council's performance**

The Plymouth City Corporate Plan 2018-22 sets out our mission of 'making Plymouth a fairer city, where everyone does their bit'. This was approved by Council in June 2018. The Corporate Plan priorities are delivered through specific programmes and projects which are coordinated and resourced through cross-cutting strategic plans, capital investments and directorate business plans. The key performance indicators (KPIs) and their associated targets are monitored quarterly to inform us on how we are doing in delivering what we have set out to achieve in the Corporate Plan. We have continued to transform how we deliver services to ensure they are more efficient and better focused on customer needs. This includes working in new ways, joining services up with our partners and maximising the opportunities from digital technology.

In very difficult financial circumstances we continue to retain and improve our core services. For example during 2019/20 we have:

- ✓ Prevented 288 households from becoming homeless;

- ✓ 824 businesses were supported through various programmes in 2019/20;
- ✓ 990 'Families with a Future' achieving significant change and sustained progress against specified concerns or a pathway into employment;
- ✓ Rolled out nearly 1,715 IT devices as part of 'The Way We Work' programme;
- ✓ Reported that 97.5% of principal roads are in a good or acceptable condition;
- ✓ Spend with Small, Medium Enterprises (SME's) equated to 26.1% of total spend in 2019/20;
- ✓ Reduced the percentage of repeat referrals to Children's Social Care to 25.5% in 2019/20 when compared with the 32.4% percentage of repeat referrals in 2018/19.

## FINANCIAL PERFORMANCE

### Devon Business Rates Pool

The Devon Business Rates Pool (DBRP) has been operating since April 2013 and each year the pool has delivered a pool gain to its members. The table shown below demonstrates the benefit to pool members for each financial year since 2013 when Business Rate Retention first came in. As can be seen from the table Plymouth has benefitted from an additional £7.123m and the Devon economy has benefitted overall by £43.008m since the pool's inception.

The DBRP working group has worked together to produce the forecasts, share best practices and develop the detailed workings which are complex. The group has also been supported by LG Futures who developed the initial workings and have provided support to the Pool since its inception.

Devon Business Rate Pooling Gains 2013 to 2019								
Business Rate Retention Scheme	2013/14 50%	2014/15 50%	2015/16 50%	2016/17 50%	2017/18 50%	2018/19 100% Pilot	2019/20 50%	Total
	£	£	£	£	£	£	£	£
Devon	361,632	755,736	657,061	856,728	1,383,502	15,306,012	2,228,157	21,548,828
East Devon	50,298	105,113	95,374	124,356	204,928	1,669,512	315,779	2,565,360
Exeter	112,632	235,377	214,202	279,293	443,865	961,211	682,088	2,928,668
Mid Devon	26,591	55,569	50,145	65,383	107,621	195,650	166,760	667,719
North Devon	51,962	108,589	98,447	128,363	206,831	658,941	319,050	1,572,183
South Hams	49,046	102,497	0	0	0	460,047	308,947	920,537
Teignbridge	51,275	107,155	96,995	126,470	205,035	480,085	316,768	1,383,783
Torridge	21,356	44,629	40,066	52,241	89,908	382,617	139,918	770,735
West Devon	19,695	41,159	37,138	48,424	83,235	270,162	128,901	628,714
Plymouth	311,068	650,067	575,475	750,350	1,204,222	1,727,204	1,904,143	7,122,529
Torbay	154,435	322,737	284,475	370,922	580,334	263,329	922,674	2,898,906
<b>Total</b>	<b>1,209,990</b>	<b>2,528,628</b>	<b>2,149,378</b>	<b>2,802,530</b>	<b>4,509,481</b>	<b>22,374,770</b>	<b>7,433,185</b>	<b>43,007,962</b>

### Strategy and Resource Allocation – The Council's Budget and Medium Term Financial Plan 2020/21 to 2022/23

The Council's gross revenue budget for 2019/20 was £501.368m, which after adjusting for income equates to a net budget requirement of £185.483m. This was approved by Full Council on the 25 February 2019 and included £13.568m of increased pressures in 2019/20 due to reductions or insufficient increases in government grant funding. The budget was developed following input and

reviews with Directors and other officers and Members, including Cabinet. The budget was formulated having regard to a number of factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures. The savings plans included in the budget take into account Council priorities and are assessed against an agreed set of impact criteria and equality assessments. Budget monitoring and scrutiny arrangements were in place throughout the year, which included arrangements for the identification of early remedial action supported by a clear action plan, reporting and regular monitoring.

A summary of the overall budget position is shown below, which includes the Medium Term Financial Plan for the next three years (2020/21 to 2022/23). The Medium Term Financial Plan is integral to the Budget Preparation process and is regularly reported to Members as part of the budget updates through the year:

Medium Term Financial Plan	Budget		Forecast	
	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
<b>Revenue Resources Available</b>	<b>185.482</b>	<b>193.677</b>	<b>184.461</b>	<b>191.241</b>
Baseline spend requirement	185.556	185.482	188.791	184.461
Plus identified additional costs	17.395	21.069	10.460	9.139
<b>Overall Spend Requirement</b>	<b>202.951</b>	<b>206.551</b>	<b>199.251</b>	<b>193.600</b>
<b>Total Funding Gap Before Savings</b>	<b>(17.469)</b>	<b>(12.874)</b>	<b>(14.790)</b>	<b>(2.359)</b>
Savings	9.798	7.974	(0.620)	0.345
Income generation	1.946	0.725	1.090	0.303
Grant income	5.725	4.175	(6.468)	(0.398)
<b>Total Savings</b>	<b>17.469</b>	<b>12.874</b>	<b>(5.998)</b>	<b>0.250</b>
<b>Revised Spending for Year</b>	<b>185.482</b>	<b>193.677</b>	<b>205.249</b>	<b>193.350</b>
<b>Budget Gap</b>	<b>0.000</b>	<b>0.000</b>	<b>20.788</b>	<b>2.109</b>

Before COVID-19 the Council already faced a significant financial challenge over the medium term. The government had announced that a full multi-year spending review would take place in 2020 and there were a number of other changes planned that would impact on the Council's main funding sources:

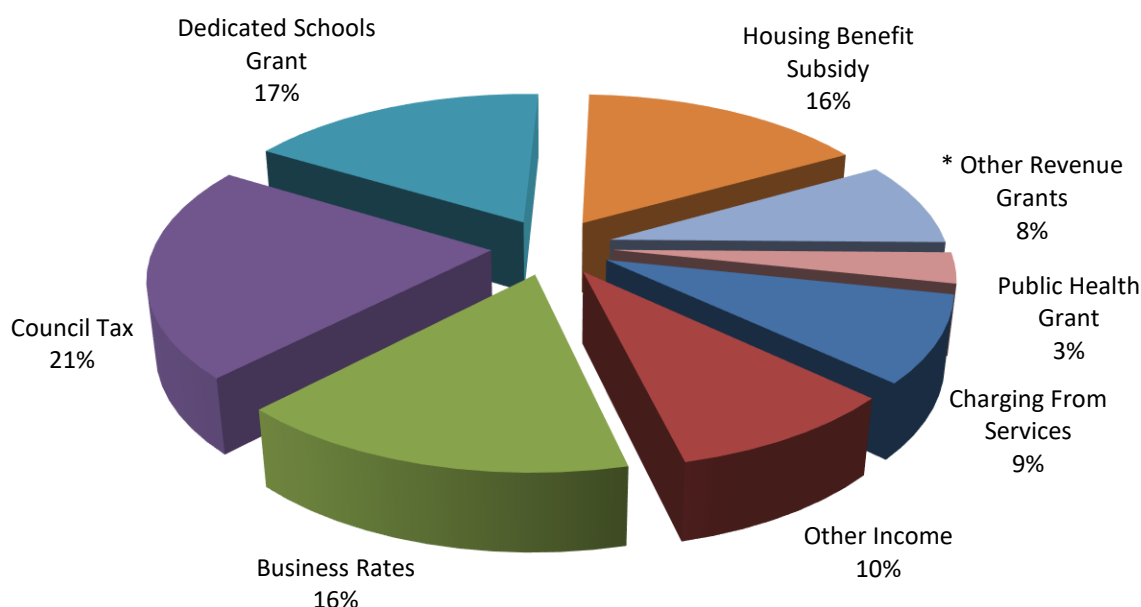
- The Fair Funding Review of the Local Government finance system
- The Business Rates system would move nationally to a 75% retention system and there were other proposed changes to the Business Rates baselines and revaluations.

All of this has now been put on hold due to the unknown mid to long-term impact of the COVID-19 pandemic. This means that there is currently very little indication of the level of funding Local Authorities can expect to receive for 2021/22 and beyond. This uncertainty, when combined with the direct financial impact of the pandemic on the Council with falling revenue income from Council Tax, Business Rates and other fees and charges. Financial planning for the medium term is extremely difficult.

A breakdown of the main sources of income for the Council is shown in the following chart:



## 2019/20 Revenue Income Sources



\*Other Revenue Grants – this includes grants from the Home Office, PFI Credits, the Ministry of Housing, Communities and Local Government (MHCLG), the Office of the Director of Public Health (ODPH) and a variety of other sources of grant funding.

## 2019/20 Revenue Outturn

The finance outturn position, before any adjustments to the working balances, shows a small overspend of £0.005m. The outturn position needs to be considered in the context of a challenging financial climate and the continuation of the Government's austerity programme with respect to public finances. In 2019/20 the Council has managed a savings programme in excess of £17m in addition to increasing service demands and customer expectations.

The net revenue budget of £185.483m was allocated to council services as follows:

Directorate	2019/20 Gross Expenditure	2019/20 Gross Income	2019/20 Council Approved Net Budget	2019/20 Outturn	Year End Over/ (Under) Spend
	£m	£m	£m	£m	£m
Executive Office	6.450	(0.590)	5.860	5.859	(0.001)
Corporate Items	9.566	(20.576)	(11.010)	(13.175)	(2.165)
Finance	22.139	(5.051)	17.088	17.374	0.286
Customer and Corporate Services	96.991	(81.248)	15.743	16.554	0.811
People Directorate	265.178	(131.327)	133.851	133.895	0.044
Office for the Director of Public Health	18.572	(19.019)	(0.447)	(0.558)	(0.111)
Place Directorate	82.472	(58.074)	24.398	25.539	1.141
<b>Total</b>	<b>501.368</b>	<b>(315.885)</b>	<b>185.483</b>	<b>185.488</b>	<b>0.005</b>

## Working Balance

The Working Balance as at 31 March 2020 is £8.045m. The Working Balance has a recommended minimum set at 5% of the net revenue budget. This minimum requirement has been approved by Council. However, due to the continued budget pressures in 2019/20, the Council has had to make further use of its Working Balance reducing it to 4.4% of the net revenue budget in order to deliver a breakeven position.

## Other Financial Performance

In addition to the financial outturn reports within this report 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 Rents, and Sundry Debt Income including our Trade Waste Income. The 2019/20 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:

- 96.44% of Council Tax collected in year for 2019/20 towards the total collection target of 98.0% (96.78% in 2018/19).
- 98.97% of NDR collected in year for 2019/20 towards the total collection target of 98.0% (98.6% in 2018/19).
- Average borrowing rate of 1.89% was achieved below target of 2.80% (2.18% in 2018/19). This equates to a notional £5.189m saving.
- Average investment return of 2.11% was achieved against target of 1.5% (1.77% in 2018/19). This equates to a £0.572m return.
- VAT partial exemption at 4.27% against a limit of 4.99% (4.31% in 2018/19).

## Capital

During the year 2019/20 the Council spent £196.180m on capital projects within the city. This is shown by Directorate in the following table. This is within the approved Capital Budget of £892.911m reported to Full Council in February 2020.

Directorate	Latest Forecast December 2019	Re-Profit	Approvals Post December	Variations and Virements	2019/20 Outturn	Spend Variance
	£m	£m	£m	£m	£m	%
Place Directorate	159.559	(59.750)	11.045	(2.489)	108.365	67.9
People Directorate	7.879	(2.453)	0.856	0.024	6.306	80.0
Customer and Corporate Services	112.711	(34.296)	0.222	(0.021)	78.616	69.8
Office for the Director of Public Health	6.423	(3.930)	0.000	0.000	2.493	38.8
<b>Capital programme</b>	<b>286.572</b>	<b>(100.429)</b>	<b>12.123</b>	<b>(2.486)</b>	<b>195.780</b>	<b>68.3</b>
Efficiency Strategy	0.000	0.000	0.400	0.000	0.400	
<b>Total capital programme</b>	<b>286.572</b>	<b>(100.429)</b>	<b>12.523</b>	<b>(2.486)</b>	<b>196.180</b>	

The 2019/20 programme outturn of £196.18m has enabled investment in some notable capital schemes, including:

- £50.073m Asset Investment acquisitions including:
  - Carkeel Retail Park;
  - Car Dealerships Showrooms
  - Langage Business Park;

- Next;
- £73.375m Purchase of shares;
- £5.897m Forder Valley Link Road & Interchange;
- £4.976m Charles Cross Roundabout Improvements;
- £13.688m for the redevelopment of the City Museum and Library into 'The Box';
- £6.943m Highway maintenance and essential engineering;
- £4.991m Community neighbourhoods, parks and public realm;
- £1.898m of Basic Need works in Plymouth Schools to allow for an increase in pupils;
- £2.446m for Disabled Facilities Grants;
- £1.999m maintaining corporate and heritage assets
- £2.451m ICT provision, upgrading and creating new capabilities for ICT infrastructure.

### Capital Funding 2020-25

The latest capital programme is summarised as follows:

Directorate	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	Total
	£m	£m	£m	£m	£m	£m
Place Directorate	165.974	29.986	19.160	7.884	0.664	223.668
People Directorate	3.647	0.182	0.172	0.000	0.000	4.001
Customer and Corporate Services	8.186	29.000	0.000	0.000	0.000	37.186
Office for the Director of Public Health	8.774	0.195	0.000	0.000	0.000	8.969
<b>Total</b>	<b>186.581</b>	<b>59.363</b>	<b>19.332</b>	<b>7.884</b>	<b>0.664</b>	<b>273.824</b>

### Cash Flow Management

The Council has a comprehensive cash flow management system to ensure that:

- surplus cash is invested wisely;
- it can always meet its liabilities as they fall due.

Cash and short term investment holdings at 31 March 2020 were £50.9m and are held to meet the Council's capital financing and cash flow requirements while obtaining a return on these investments. The Council also uses short term borrowing from other local authorities to meet some of the funding of the Council's ambitious capital programme. As at 31 March 2020 the Council held £468.2m short term borrowing and £135.1m long term borrowing which is within the Council's approved limits.

### Balance Sheet Position

The Council's Balance Sheet position is as follows:

Position	Balance as at 31 March 2019	Balance as at 31 March 2020
	<b>£000</b>	<b>£000</b>
Non-current assets - principally land, buildings and equipment used to deliver council services	1,074,409	1,206,288
Net current assets - current assets less current liabilities	(257,826)	(467,604)
Long term liabilities and provisions (including pensions) see points 1 and 2	(939,274)	(801,958)
<b>Net liabilities</b>	<b>(122,691)</b>	<b>(63,274)</b>
<b>Represented by:</b>		
Usable reserves (see point 3)	57,535	59,670
Unusable reserves	(180,226)	(122,944)
<b>Total reserves</b>	<b>(122,691)</b>	<b>(63,274)</b>

- The Council's largest balance sheet liability is represented by £437.1m for pension liabilities. This includes a provision for the pension guarantee for Livewell Southwest and DELT for the service deficit attributable to service up to the transfer date. The liability has reduced significantly in 2019/20 as the Council came up with an innovative solution to reduce the Council's long-term pension liability through the acquisition of a share in an investment company, which facilitated the purchase of assets worth £73.375m in the Local Government Pension Scheme (LGPS). This capital investment has reduced the Council's costs significantly over the next 50 years as the Council, based on current valuations of the pension liability, will no longer have to make an annual contribution to fund the deficit. This acquisition took place in October 2019.
- The Council has a number of liabilities at the year-end for which it has made provision. The most significant of which are:
  - The provision for Chelson Meadow which is a closed landfill site. The provision of £9.3m has been calculated on the future maintenance costs over the next 50 years and is reviewed each year;
  - In addition, the Council has set aside a provision for business rate appeals of £2.53m (£3.98m at 31 March 2019). This has decreased due to the number of successful appeals over the last couple of years.
- Usable reserves are currently split between those earmarked for capital investment and those allocated to revenue support and service development. Usable reserves also include £2.62m held on behalf of schools and £8.045m general fund working balances to cover short term cash flow movements, budget overspends and other unforeseen contingencies. The working balance represents 4.4% of the net cost of services.
- The Council holds a number of unusable reserves, the majority of which are required to be held for statutory reasons and some which are needed to comply with proper accounting practice. A further breakdown of unusable reserves is found in the [Notes to the Financial Statements](#) section of the Statement of Accounts.

## FINANCIAL MANAGEMENT AND IDENTIFYING RISKS

The Finance Service strives to continuously improve its procedures and processes and in preparing for the 2019/20 Statement of Accounts have taken on board comments and recommendations from the 2018/19 Statement of Accounts audit undertaken by Grant Thornton.

The Finance Service provides a high quality financial management service for the Council. In addition to the statutory reporting function for the Statement of Accounts, a key task is financial planning over a three year medium term timescale. Alongside budget preparation, the ability to look strategically beyond the current budget period is crucial to supporting the Council's long-term financial sustainability and resilience. Given the current level of uncertainty, the unknown impact of Brexit and the ongoing widespread pressures on revenue budgets, it is essential that the Finance Teams are planning effectively for the future.

The Council approves a number of key documents before the start of each financial year:

- a three year Medium Term Financial Plan (MTFP).
- a Treasury Management Strategy which includes our investment and borrowing strategies and includes the Council's 'Prudential indicators'.
- annual Revenue Budget

These documents are continually updated and reviewed on a quarterly basis. The MTFP is wide ranging and includes estimates of future income and expenditure. It allows the Finance team to balance the financial implications of the Council's Corporate Plan, service objectives and policies with the constraints in resources. This year's budget (2019/20) and the modelling for future years budgets were prepared before the impact of the COVID-19 pandemic and they will be revisited in 2020/21 to determine what action needs to be taken to balance the budget.

The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have published revised guidance and an updated Prudential Code to cover local authorities who invest in properties to obtain an income. The Council's Asset Investment Fund has been set up to invest in commercial properties to increase its revenue income.

### **Risk Management**

The Council has a Strategic Risk and Opportunity Register and there are clear and consistent processes for identifying, assessing, managing, controlling, reviewing and reporting risks. These are subject to regular review and update. Some of the strategic risks which have been rated as high risk are shown as follows:



Risk	Link to Corporate Plan	Impact	Mitigation
<b>Financial</b>			
Delivering Council services within the envelope of the resources provided in 2019/20-20/22 Medium Term Financial Strategy	Spending Money Wisely	Risk to services not delivering within reduced budgets and to delivery of the Plymouth Plan from reduced revenue and funding of the Capital Programme	Progress reported monthly to Cabinet, Audit and Governance Committee and Chief Internal Auditor oversee the financial reporting process, continued member engagement in Budget process and MTFP setting process
Being unable to deliver Council services within the envelope of the resources provided in 2018/19	Spending Money Wisely	Risk to services not being delivered, negative impact on budgets, loss of reputation, negative impact on front line services and negative opinion from external audit	Progress reported monthly to Cabinet, higher profile of Council's finances at CMT and Cabinet, Audit and Governance Committee and Chief Internal Auditor oversee the financial reporting process, continued member engagement in Budget process and MTFP setting process, Portfolio member setting out areas of responsibility and savings targets and efficiencies, Portfolio Holders undertaking line-by-line reviews of budgets
Projected in-year overspend in Children's Social Care caused by unprecedented demand	Spending Money Wisely	Additional costs associated with specialist residential care placements and high levels of staffing	Independent fostering review action plan, service redesign implemented including invest to save for increase in number of Social Workers
<b>Reputational</b>			
Failing to, or inability to understand impacts of Brexit	Providing Quality Public Services	Reputational risk if Council is unable or has limited capacity to manage change and deliver objectives	Brexit specific risk register, business continuity group, attendance at local and regional events, Member scrutiny, regional engagement work - LEP
<b>Compliance, Regulation and Safeguarding</b>			
Reduction in the quality of education provision negatively affecting level of pupil attainment	A Caring Council	Negative impact on children's attainment due to the quality of education provision	Ofsted inspection, Education and Children's Social Care Overview and Scrutiny Committee

## LOOKING FORWARD

The Medium Term Financial Plan is updated quarterly and the budget report presented to Cabinet on 26 February 2020 sets out the national context for large reductions in local government funding and the Local Government Finance Settlement.

The impact of pressures within Social Care continues to have a significant impact upon the Council's resources. Nationally and locally the costs of providing health and wellbeing services are rising as demand increases. Plymouth has an ageing population with more complex needs and higher levels of young children requiring our services.

To balance the budget there will be a continuing need for transformation, efficiencies and other financial initiatives for the foreseeable future.

## STATEMENT OF ACCOUNTS 2019/20

The Statement of Accounts which follow, set out the Council's income and expenditure for the year and its financial position as at 31 March 2020. The format and content of the statements is prescribed by CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. This is based on International Financial Reporting Standards (IFRS) adapted for use in a public sector context. The Statement of Accounts comprises:

Statement of Responsibilities for the Statement of Accounts	This sets out the respective responsibilities of the Authority and the Chief Finance Officer (Service Director for Finance).
Auditor's Report	This gives the auditor's opinion of the financial statements and of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.
<b>Core Financial Statements:</b>	
Comprehensive Income and Expenditure Statement (CIES)	This shows the net cost of providing services in accordance with generally accepted accounting practices. The Expenditure Funding Analysis (note 7) compares the CIES with levels of income and expenditure which are taken into account when setting the annual budget and council tax since certain amounts are disregarded by statute.
Balance Sheet	The Balance Sheet shows the Council's assets and liabilities at the year end. Net assets are matched by reserves which may be 'usable' or 'unusable'.
Movement in Reserves Statement (MIRS)	This shows the movements in reserves during the year, analysed into the different funds held by the Council and classified as either 'usable' reserves which can be used to fund future expenditure or 'unusable' reserves which are maintained to meet specific statutory responsibilities.
Cash Flow Statement	This financial statement shows how changes in balance sheet accounts and income affect cash and cash equivalents, it breaks the analysis down to operating, investing and financing activities.
<b>Supplementary Statements &amp; Notes:</b>	
Collection Fund	This account demonstrates how income raised from local taxpayers has been redistributed to the Council and other precepting authorities for the provision of services.
Statement of Accounting Policies	Sets out the accounting policies that have been followed in preparing the accounts and how the Code requirements have been met in practice.
Disclosure Notes	These provide more detail about individual transactions and balances.

## 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 on the 21 September 2020. This can be found on the Council's website.

## CONCLUSION

The formal audit of the Draft Statement of Accounts commenced on 7 September 2020, and in line with our statutory duty we made our accounts available for scrutiny by interested members of the public from 1 September to 10 October 2020.

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 endeavour to publish them on our web pages no later than 30 November 2020.

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 wilful default, failure to bring a sum of income into account, or any other matter of public interest. Persons wishing to question the auditor should do so by prior arrangements by contacting 0207 728 3180.
- c) if any elector intends to object they must give the auditor prior written notice of any objection and its grounds and send a copy of the notice to the City Council.

The Council's Service Director for Finance (Section 151 Officer) is required to sign the final accounts by a statutory deadline of 30 November 2020.

Further information is available:

- on the Council's website 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  
Service Director for Finance 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 Service Director for Finance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

### The Service Director for Finance (Section 151 Officer) responsibilities:

The Service Director for Finance 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 Service Director for Finance has:

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

The Service Director for Finance has also:

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

In signing these accounts, the Service Director for Finance confirms that these statements give a 'true and fair' view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year ended 31 March 2020.

Andrew Hardingham  
Service Director for Finance and Section 151 Officer  
Ballard House  
West Hoe Road  
Plymouth  
PL1 3BJ

Dated:

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

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

2018/19 Gross Expenditure	2018/19 Gross Income	2018/19 Net Expenditure		Note	2019/20 Gross Expenditure	2019/20 Gross Income	2019/20 Net Expenditure
£000	£000	£000					£000
7,105	(972)	6,133	Executive Office		8,140	(1,550)	6,590
3,662	(15,101)	(11,439)	Corporate Items		16,333	(102,247)	(85,914)
19,946	(2,734)	17,212	Finance		17,661	(2,848)	14,813
110,234	(93,203)	17,031	Customer and Corporate Services		99,714	(79,264)	20,450
272,059	(123,478)	148,581	People Directorate		277,989	(127,246)	150,743
20,214	(19,695)	519	Public Health		19,754	(19,600)	154
97,386	(40,991)	56,395	Place Directorate		98,040	(43,472)	54,568
<b>530,606</b>	<b>(296,174)</b>	<b>234,432</b>	<b>(Surplus)/Deficit on Continuing Operations</b>		<b>537,631</b>	<b>(376,227)</b>	<b>161,404</b>
21,058	(2,863)	18,195	Other Operating Expenditure	<a href="#">11</a>	1,031	(2,062)	(1,031)
52,725	(23,132)	29,593	Financing and Investment Income and Expenditure	<a href="#">13</a>	132,432	(39,891)	92,541
0	(220,042)	(220,042)	Taxation and Non-specific Grant Income	<a href="#">14</a>	0	(202,239)	(202,239)
<b>604,389</b>	<b>(542,211)</b>	<b>62,178</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>671,094</b>	<b>(620,419)</b>	<b>50,675</b>
		(44,835)	(Surplus)/deficit on Revaluation of Non-current Assets	<a href="#">22.1</a>			(41,709)
		(35,639)	Re-measurement of the Net Defined Benefit Liability (Assets)	<a href="#">22.4</a>			(67,438)
		2,369	(Surplus)/deficit from investments in equity instruments designated at fair value through comprehensive income.				0
		288	Other recognised (gains)/losses				(944)
		<b>(77,817)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(110,091)</b>
		<b>(15,639)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(59,416)</b>



## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

The Movement in Reserves Statement shows the movement from the start of the year to the end 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 'unusable reserves'. The Statement shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/(Decrease) line shows the statutory General Fund Balance and Balance movements in the year following those adjustments.

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 2018		9,168	25,742	34,910	18,252	6,574	59,736	(192,061)	(132,325)
<b>Movement in Reserves 2018/19</b>									
Prior period adjustment to CAA		0	0	0	0	0	0	(6,004)	(6,004)
Total Comprehensive Income and Expenditure		(62,178)	0	(62,178)	0	0	(62,178)	77,817	15,639
Adjustments between accounting basis and funding under regulations	<a href="#">10</a>	59,988	0	59,988	(3,033)	3,022	59,978	(59,978)	0
<b>Net Increase/(Decrease) Before Transfer to Earmarked Reserves</b>		(2,190)	0	(2,190)	(3,033)	3,022	(2,201)	11,835	9,635
Transfer (to)/from reserves	<a href="#">12</a>	1,073	(1,073)	0	0	0	0	0	0
<b>Net Increase/(Decrease) in 2018/19</b>		(1,117)	(1,073)	(2,190)	(3,033)	3,022	(2,201)	11,835	9,635
Balance at 31 March 2019		8,051	24,669	32,720	15,219	9,596	57,535	(180,226)	(122,691)
<b>Movement in Reserves 2019/20</b>									
Total Comprehensive Income and Expenditure		(50,675)	0	(50,675)	0	0	(50,675)	110,091	59,416
Adjustments between accounting basis and funding under regulations	<a href="#">10</a>	50,057	0	50,057	1,028	1,725	52,810	(52,809)	0
<b>Net Increase/(Decrease) Before Transfer to Earmarked Reserves</b>		(618)	0	(618)	1,028	1,725	2,135	57,282	59,416
Transfer (to)/from reserves	<a href="#">12</a>	612	(612)	0	0	0	0	0	0
<b>Net Increase/(Decrease) in 2019/20</b>		(6)	(612)	(618)	1,028	1,725	2,135	57,282	59,416
Balance at 31 March 2020		8,045	24,057	32,102	16,247	11,321	59,670	(122,944)	(63,274)

## BALANCE SHEET AS AT 31 MARCH 2020

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, including reserves that hold unrealised gains and losses (for example the Revaluation Reserve), and reserves that hold timing differences shown in the Movement in Reserve Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2019		Note	31 March 2020
£000			£000
797,961	Property Plant and Equipment	<a href="#">15</a>	861,110
27,271	Heritage Assets	<a href="#">16</a>	28,095
197,732	Investment Property	<a href="#">17</a>	254,440
23	Intangible Assets		15
40,497	Long-term Investments	<a href="#">18.1</a>	51,037
10,925	Long-term Debtors	<a href="#">19.2</a>	11,591
<b>1,074,409</b>	<b>Non-current Assets</b>		<b>1,206,288</b>
17,008	Short-term Investments	<a href="#">18.1</a>	12,115
692	Inventories		680
64,229	Short-term Debtors	<a href="#">19.1</a>	51,258
31,863	Cash and Cash Equivalents	<a href="#">23.4</a>	38,790
665	Assets Held for Sale		926
<b>114,457</b>	<b>Current Assets</b>		<b>103,769</b>
(281,266)	Short-term Borrowing	<a href="#">18.1</a>	(468,223)
(64,696)	Short-term Creditors	<a href="#">20.1</a>	(64,522)
(1,756)	Short-term Provisions	<a href="#">21</a>	(2,987)
(413)	Grants Received in Advance - Revenue	<a href="#">29</a>	(3,235)
(24,152)	Grants Received in Advance - Capital	<a href="#">29</a>	(32,406)
<b>(372,283)</b>	<b>Current Liabilities</b>		<b>(571,373)</b>
(13,888)	Long-term Creditors	<a href="#">20.2</a>	(12,698)
(12,846)	Long-term Provisions	<a href="#">21</a>	(9,870)
(183,565)	Long-term Borrowing	<a href="#">18.1</a>	(135,138)
(540,896)	Long-term Liabilities Pensions	<a href="#">34.3 &amp; 34.9</a>	(437,124)
(120,545)	Long-term Liabilities Other	<a href="#">20.3</a>	(118,652)
(67,534)	Grants Received in Advance - Capital	<a href="#">29</a>	(88,476)
<b>(939,274)</b>	<b>Long Term Liabilities</b>		<b>(801,958)</b>
<b>(122,691)</b>	<b>Net Assets</b>		<b>(63,274)</b>
57,535	Usable Reserves		59,670
(180,226)	Unusable Reserves	<a href="#">22</a>	(122,944)
<b>(122,691)</b>	<b>Total Reserves</b>		<b>(63,274)</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.

2018/19		Note	2019/20
£000			£000
(62,178)	Net Surplus/(Deficit) on the Provision of Services	<a href="#">23.1</a>	(50,675)
80,540	Adjustment to Net Surplus/(Deficit) on the Provision of Services for non-cash movement	<a href="#">23.1</a>	66,243
(37,248)	Adjustments for items included in the Net Surplus/(Deficit) on the Provision of Services that are investing and financing activities	<a href="#">23.1</a>	(15,312)
<b>(18,886)</b>	<b>Net Cash Flows from Operating Activities</b>		<b>256</b>
(74,479)	Investing activities	<a href="#">23.2</a>	(149,415)
94,948	Financing activities	<a href="#">23.3</a>	156,086
<b>1,583</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>6,927</b>
30,280	Cash and cash equivalents at the beginning of the reporting period	<a href="#">23.4</a>	31,863
<b>31,863</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>		<b>38,790</b>

**NOTES TO THE FINANCIAL STATEMENTS**

1	Accounting Policies .....	28
2	Material Items of Income and Expenditure.....	43
3	Critical Judgements in Applying Accounting Policies.....	43
4	Accounting Standards That Have Been Issued But Have Not Yet Been Adopted.....	43
5	Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty.....	44
6	Events After the Balance Sheet Date.....	45
7	Expenditure and Funding Analysis .....	47
8	Note to the Expenditure and Funding Analysis.....	48
9	Expenditure and Income Analysed by Nature .....	49
10	Adjustments Between Accounting Basis and Funding Basis Under Regulations .....	50
11	Other Operating Expenditure.....	52
12	Movement in Earmarked Reserves.....	52
13	Financing and Investment Income and Expenditure.....	54
14	Taxation and Non-Specific Grant Income and Expenditure.....	54
15	Property, Plant and Equipment.....	55
16	Heritage Assets.....	58
17	Investment Properties .....	59
18	Financial Instruments .....	61
19	Debtors.....	69
20	Creditors.....	70
21	Provisions.....	71
22	Unusable Reserves .....	72
23	Notes to the Cash Flow .....	75
24	Pooled Budgets – Integrated Fund.....	76
25	Members’ Allowances.....	77
26	Officers’ Remuneration.....	79
27	External Auditor Costs .....	83
28	Dedicated Schools Grant (DSG).....	83
29	Grant Income .....	84
30	Related Party Transactions and Partnerships.....	86
31	Capital Expenditure and Capital Financing .....	89
32	Leases.....	90
33	Private Finance Initiatives (PFI) and Similar Contracts.....	91
34	Pensions.....	92
35	Contingent Assets and Liabilities .....	99

## **I Accounting Policies**

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

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year ended 31 March 2020. 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 2019/20 (The Code), supported by International Financial Reporting Standards (IFRS).

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

These Accounts have been prepared on a going concern basis and it has been assumed that the functions of the Council will continue in operational existence for the foreseeable future.

### **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:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.

### **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 Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the CIES or in the notes to the accounts, depending on how significant the items



are to an understanding of the Council's financial performance.

### **1.5 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.

### **1.6 Prior Period Adjustments, Changes in Accounting Policies, 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.

### **1.7 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.

### **1.8 Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

### **Accounting for Council Tax and NDR**

The Council Tax and NDR income included in the Comprehensive Income and Expenditure

Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement (MiRS).

The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## **1.9 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service, or where applicable the Corporate Service line in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the cost of restructuring.

### **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 CIES 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 2.35% (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.

The change in the net pension liability is analysed into the following components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the provision of Services in the CIES as part of corporate items
- Net interest on the net defined liability/(asset) i.e. net interest expense for the Council – the change during the period on the net defined liability /(asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the CIES Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/(asset) during the period as a result of contribution and benefit payments.
- Re-measurement of the return on plan assets – excluding amounts included in the net interest on the net defined liability/(asset)- charged to the pension reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Devon County Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS this means that there are appropriations to and from the Pensions Reserve to remove notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the

event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff, including teachers as outlined above, are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### 1.10 Events After the Balance Sheet Date

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### 1.11 Financial Instruments

#### Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the authority 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 (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

However, the bonds issued by the authority in 20XX are carried at a lower amortised cost than the outstanding principal, and interest is charged at a marginally higher effective rate of interest than the rate payable to bondholders, as a material amount of costs incurred in its issue is being financed over the life of the stock.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the general fund balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

#### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at

- amortised cost;
- fair value through profit or loss (FVPL), and;
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contracted provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains or losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **Financial assets measured at fair value through other comprehensive income**

Financial assets that are measured at FVOCI are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

### **Financial assets measured at fair value through profit of loss**

Financial assets that are measured at FVPL are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

### **Fair value measurements of financial assets**

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the authority's financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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 authority 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.

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.

The Council holds Pooled Investment in various Funds and upon transition to IFRS 9 in 2018 the Council decided to make an irrevocable election to present changes in the fair values in Other Comprehensive Income.

These investments are eligible for the election because they meet the definition of equity instruments in paragraph 11 of IAS 32 and are neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. They are not considered puttable instruments because the Council does not have a contractual right to put the instrument back to the issuer for cash.

The election is an appropriate accounting decision because these are long-term strategic investments held by the Council primarily to receive regular dividend income rather than for capital growth or to sell. Presenting changes in their fair values in the surplus or deficit on provision of services is therefore less likely to present a true and fair view of the Council's financial performance than presenting them in other comprehensive income.

## **1.12 Revenue Recognition**

With the adoption of accounting standard IFRS 15, revenue is defined as income arising as a result of the Council's normal operating activities and where income arises from contracts with service recipients it is recognised when or as the Council has satisfied a performance obligation by transferring a promised good or service to the service recipient.

Revenue is measured as the amount of the transaction price which is allocated to that performance obligation. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

The analysis carried out to date indicates that there will be no material impact on the revenue recognised in relation to the significant contracts entered into by the Council. A review will take place each year to identify whether any disclosure is necessary.

## **1.13 Government Grants and Contributions**

Whether paid on account, by instalments, or in arrears, government grants and third party 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 CIES until the conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as stated, or 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 (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the CIES.

Where revenue grants that have been credited to the CIES 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 MiRS. A transfer back is made in future years to match expenditure as it is incurred.

Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the MiRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### **1.14 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.

#### **1.15 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 over an entity. The Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

#### **1.16 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 31 March. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the MIRS and posted to the capital adjustment account and the capital receipts reserve.

### **1.17 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, detailed as follows.

Where a historic building is being used significantly for the provision of services (for example Mount Edgcumbe 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 18th to 20th 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 Box 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 [1.19](#) 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 [15.4](#)) and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts – see note [1.19](#) in this summary of significant accounting policies.

### **1.18 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)**

##### **Operating Leases**

Rentals paid under operating leases are charged to the CIES 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 (Assets Leased Out)**

### **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 CIES. Credits are made on a straight-line basis over the life of the lease.

## **1.19 Property, Plant and Equipment**

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

### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the 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 and community assets – depreciated historical cost;
- assets under construction – historical cost;
- surplus assets – fair value;
- the Tamar Toll Bridge - depreciated replacement cost;
- all other assets – current value in their existing use.

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

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**

## OFFICIAL

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 revalued as part of the 5 year rolling programme 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 CIES 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 50 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% or above of the overall asset value are significant components.

In terms of schools, components are defined as separate school blocks or buildings and componentisation applied where the values meet the 20% criteria.

#### Different asset life

The difference in life between the host asset and the component must be over 5 years for componentisation to be recorded.

### Assets held for sale

When it becomes probable that the 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.

## OFFICIAL

**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).

**1.20 Private Finance Initiative (PFI) and Similar Contracts**

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

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

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the 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 CIES. 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.

**1.21 Provisions, Contingent Liabilities and Contingent Assets Provisions**

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



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 [35.2](#).

### **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 [35.1](#), where it is probable that there will be an inflow of economic benefits or service potential.

## **1.22 Reserves**

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

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 CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS so that there is no net charge against Council Tax for the expenditure.

## **1.23 Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES 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 MiRS 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.

## **1.24 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 CIES. 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 Academy status 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 MiRS.

The income and expenditure is included within the People directorate in the CIES. The reserves are included in the Education Reserve balance, which forms part of the Council's Useable reserves.

### 1.25 Value Added Tax

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.

### 1.26 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be receivable to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

Level 3 unobservable inputs for the asset or liability

## 2 Material Items of Income and Expenditure

This note identifies material items of income and expenditure that are not disclosed on the face of the Comprehensive Income and Expenditure Statement. For the purposes of this Note the Council considers material items to be those greater than £6.665m.

The Council came up with an innovative solution to reduce the Council's long-term pension liability through the acquisition of a share in an investment company, which facilitated the purchase of assets worth £73.375 million in the Local Government Pension Scheme (LGPS). This capital investment has reduced the Council's costs significantly over the next 50 years as the Council will no longer have to make an annual contribution to fund the deficit. This acquisition took place in October 2019.

## 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 2, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

### Tamar Bridge valuation – departure from the Code of Practice

The Tamar Bridge is a toll bridge that is jointly owned by Cornwall Council and Plymouth City Council. The Code of Practice on Local Authority Accounting requires infrastructure assets to be accounted for using depreciated historic cost, however both Councils use depreciated replacement cost (DRC) to value the asset. This is because 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 Council's 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. The current DRC value of the bridge is £60.532m, if the bridge was valued at its depreciated historic cost in line with other infrastructure assets the value would be £22.616m, so would therefore be misleading to use historic cost as a basis for valuation.

The Council have concluded that, taking account of the above, the financial statements present a true and fair view of the Council's financial position, financial performance and cash flows and has complied with the Code in all other respects.

## 4 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

Where a new standard has been published but has not yet been adopted by the Code, the Council is required to disclose information relating to the impact of these accounting changes. This requirement applies to International Financial Reporting Standards (IFRS) that have not been applied in the 2019/20 Code and that came into effect on or before 1 January 2020.

For 2019/20 the following potentially relevant standards include:

- Amendments to IAS28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015-2017 Cycle; and
- Amendments to IAS19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

Application of the standards is required from 1 April 2019. Therefore, these changes will be reflected in the Council's 2020/21 or future Statement of Accounts.

IFRS16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there are exemptions for low-value

and short-term leases). CIPFA/LASAAC have deferred the implementation of IFRS16 for local government to 1 April 2021. Local authorities are not required to include IFRS16 in their consideration of accounting standards that have been issued but not adopted in their 2019/20 accounts.

There are no changes in accounting requirements for 2020/21 that are anticipated to have a material impact on the Council's financial performance or financial position.

## 5 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 [1.19](#)); and the liability for future pension payments, which carries the most significant risk of material adjustment.

Item	Uncertainties	Consequences (if actual results differ from assumptions)
Property, Plant & Equipment	<p>Asset valuations are based on market prices, condition surveys and standards of professional practice set out by the Royal Institute of Chartered Surveyors (RICS) and a small proportion of assets are periodically re-valued using a 5-year rolling programme. The Council's valuers provided valuations as at 31 March 2020 for approximately 70% of its operational portfolio in order to ensure that the Council does not materially misstate its Property, Plant and Equipment. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The carrying value of this long term asset at the end of the reporting period was £861.111m.</p> <p>The outbreak of COVID-19 has had a global impact on the financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.</p> <p>Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. This means that less certainty and a higher degree of caution should be attached to valuations. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy. Property valuations will be kept under review as we assess the future impact of COVID-19 on property markets.</p>	<p>Any change in the valuation or useful life of an asset would affect the carrying value of the asset in the balance sheet and the charge for depreciation or impairment would impact on the CIES. If the value of the Council's operational properties reduced by 10%, this would result in a net reduction of £27.1m which would either result in a decrease to the Revaluation Reserve and/or a charge to the CIES.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the CIES.</p> <p>The above changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from Council Tax receipts.</p>

Fair value measurement of Investment Property	The Council's valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The COVID-19 global impact on financial markets has made judgements on valuations more challenging due to market uncertainty and a higher degree of caution should be attached to valuations than would normally be the case.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.
Pensions Liability	<p>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.</p> <p>Barnett Waddingham are the consultant actuaries for the pension scheme providing expert advice about the assumptions to be applied. Those assumptions are detailed in Note 34 to the accounts. The carrying value of this long term liability at the end of the reporting period was £437.124m.</p>	<p>The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the balance sheet and the cost shown in the CIES.</p> <p>The changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from council tax receipts.</p>
Impairment allowance for debts	As at 31 March 2020 the Council had a balance of short-term debtors of £51.257m. The Council makes an impairment allowance against those debts which may become uncollectable. The impairment allowance is currently £13.228m. It is hard to determine whether the impairment allowance is sufficient to offset any losses through non-payment of debts. The outbreak of COVID-19 has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	The impairment allowances held are based on policies adapted for historic experience and the success rates experienced in collection. The Council will monitor its collection rates of debt throughout the year. If there are indications that the impairment allowance will be insufficient they will be adjusted which will have an adverse impact on the Council's revenue account.

## 6 Events After the Balance Sheet Date

Events taking place after the 31 August 2020 are not reflected in the financial statements. The Statement of Accounts was authorised by the Council's Section 151 Officer on 31 August 2020. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

In April 2020 the Council agreed an Interest Rate Swap with a bank for £75m for a period of 20 years. At the year ending 31 March 2020 the Council has £468m of short term borrowing and wants

OFFICIAL

PLYMOUTH CITY COUNCIL

to reduce the Council's interest rate risk. The Council has therefore fixed the interest rate on £75m for a period of 20 years through an interest rate swap.



## 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. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2018/19 Directorate Total Reported for Outturn	2018/19 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances	2018/19 Net Expenditure Chargeable to the General Fund Balances	2018/19 Adjustments Between the Funding and Accounting Basis	2018/19 Net Expenditure in the CIES		2019/20 Directorate Total Reported for Outturn	2019/20 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances	2019/20 Net Expenditure Chargeable to the General Fund Balances	2019/20 Adjustments Between the Funding and Accounting Basis	2019/20 Net Expenditure in the CIES
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
5,834	0	5,834	299	6,133	Executive Office	5,859	0	5,859	731	6,590
(9,154)	4,040	(5,114)	(6,325)	(11,439)	Corporate Items	(13,175)	294	(12,881)	(73,033)	(85,914)
17,522	(3,520)	14,002	3,210	17,212	Finance	17,374	(3,093)	14,281	532	14,813
14,993	0	14,993	2,038	17,031	Customer and Corporate Services	16,554	0	16,554	3,896	20,450
132,904	0	132,904	15,677	148,581	People Directorate	133,895	0	133,895	16,848	150,743
297	0	297	222	519	Public Health	(558)	0	(558)	712	154
24,277	860	25,137	31,258	56,395	Place Directorate	25,539	(385)	25,154	29,414	54,568
186,673	1,380	188,053	46,379	234,432	Net Cost of Service	185,488	(3,184)	182,304	(20,900)	161,404
		(185,863)	13,609	(172,254)	Other Income and Expenditure			(181,686)	70,957	(110,729)
		2,190	59,988	62,178	(Surplus)/Deficit on Provision of Service			618	50,057	50,675
		(34,910)			Opening General Fund and Earmarked balances at 31 March 19			(32,720)		
		2,190			(Surplus)/Deficit on General Fund and Earmarked balance in Year			618		
		(32,720)			Closing General Fund Balance at 31 March 19			(32,102)		

## 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
2019/20	£000	£000	£000	£000
Executive Office	33	548	150	731
Corporate Items	67	(61,992)	(11,108)	(73,033)
Finance	577	767	(812)	532
Customer and Corporate Services	2,812	1,377	(293)	3,896
People Directorate	12,362	4,760	(274)	16,848
Public Health	407	533	(228)	712
Place Directorate	25,938	3,927	(451)	29,414
<b>Net Cost of Service</b>	<b>42,196</b>	<b>(50,080)</b>	<b>(13,016)</b>	<b>(20,900)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	73,626	12,572	(15,241)	70,957
<b>Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service</b>	<b>115,822</b>	<b>(37,508)</b>	<b>(28,257)</b>	<b>50,057</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
2018/19	£000	£000	£000	£000
Executive Office	15	255	29	299
Corporate Items	968	(4,699)	(2,594)	(6,325)
Finance	3,239	374	(403)	3,210
Customer and Corporate Services	1,987	611	(560)	2,038
People Directorate	16,306	964	(1,593)	15,677
Public Health	206	233	(217)	222
Place Directorate	29,606	1,789	(137)	31,258
<b>Net Cost of Service</b>	<b>52,327</b>	<b>(473)</b>	<b>(5,475)</b>	<b>46,379</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	27,030	14,357	(27,778)	13,609
<b>Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service</b>	<b>79,357</b>	<b>13,884</b>	<b>(33,253)</b>	<b>59,988</b>

### Adjustment for Capital Purposes

Adjustments for Capital Purposes – this column adds in depreciation, impairment and revaluation gains/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 statutory

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:

- **Financing and investment income and expenditure** – the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- **Taxation and non-specific grant income and expenditure** – the charge 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	2018/19	2019/20
	£000	£000
<b>Expenditure:</b>		
Employee benefits expenses	143,351	162,621
Other service expenses	379,722	356,078
Depreciation, amortisation, impairment	58,289	134,984
Interest payments	23,027	17,411
<b>Total Expenditure</b>	<b>604,389</b>	<b>671,094</b>
<b>Income:</b>		
Fees, charges and other service income	(126,321)	(197,038)
Interest and investment income	(2,593)	(22,163)
Income from council tax, non-domestic rates, district rate income	(182,383)	(169,546)
Government grants and contributions	(230,914)	(231,672)
<b>Total Income</b>	<b>(542,211)</b>	<b>(620,419)</b>
<b>Surplus or Deficit on the Provision of Service</b>	<b>62,178</b>	<b>50,675</b>

The figures for 2018/19 in the table above, have been amended to show the £6.980m 'Improved Better Care Fund' in Government grants & contributions. In the Statement of Accounts for 2018/19 it was previously included in Fees, charges and other service income.

## 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	2018/19				2019/20			
	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	(48,497)	0	0	48,497	(39,528)	0	0	39,528
Movements in the market value of Investment Properties	(2,680)	0	0	2,680	5,526	0	0	(5,526)
Amortisation of intangible assets	(7)	0	0	7	(7)	0	0	7
Capital grants and contributions	27,003	0	(27,904)	901	16,150	0	(16,150)	0
Movement in the Donated Assets Account	0	0	0	0	256	0	0	(256)
Revenue expenditure funded from capital under statute	(8,528)	0	0	8,528	(10,588)	0	0	10,588
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	(19,311)	0	0	19,311	(348)	0	0	348
Deferred credit Energy from Waste	2,324	0	0	(2,324)	2,324	0	0	(2,324)
Revaluation losses on investment in shares	0	0	0	0	(73,435)	0	0	73,435
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment	7,280	0	0	(7,280)	10,872	0	0	(10,872)
Capital expenditure charged against the General Fund	939	0	0	(939)	523	0	0	(523)
<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	(1,514)	0	1,514	0	(305)	0	305
Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement	1,569	(1,569)	0	0	1,926	(1,926)	0	0
<b>Total C/FWD</b>	<b>(39,908)</b>	<b>(3,083)</b>	<b>(27,904)</b>	<b>70,895</b>	<b>(86,329)</b>	<b>(2,231)</b>	<b>(16,150)</b>	<b>104,710</b>

Adjustments between Accounting Basis and Funding Basis Under Regulations	2018/19				2019/20			
	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>(39,908)</b>	<b>(3,083)</b>	<b>(27,904)</b>	<b>70,895</b>	<b>(86,329)</b>	<b>(2,231)</b>	<b>(16,150)</b>	<b>104,710</b>
Long term debtor repayments in year	0	(241)	0	241	0	(458)	0	458
Use of the Capital Receipts Reserve to finance new capital expenditure	0	6,356	0	(6,356)	0	1,661	0	(1,661)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1)	1	0	0	0	0	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	24,882	(24,882)	0	0	14,425	(14,425)
<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	(8,782)	0	0	8,782	609	0	0	(609)
<b>Adjustments involving the Financial Instruments Revaluation Reserve</b>								
Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG statutory over-ride	2,369	0	0	(2,369)	(6,459)	0	0	6,459
<b>Adjustments involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(33,763)	0	0	33,763	(48,173)	0	0	48,173
Employer's pensions contributions and direct payments to pensioners payable in the year	19,878	0	0	(19,878)	85,682	0	0	(85,682)
<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	242	0	0	(242)	3,893	0	0	(3,893)
<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	(24)	0	0	24	720	0	0	(720)
<b>Total Adjustments</b>	<b>(59,988)</b>	<b>3,033</b>	<b>(3,022)</b>	<b>59,978</b>	<b>(50,057)</b>	<b>(1,028)</b>	<b>(1,725)</b>	<b>52,810</b>

### General fund balance

The General Fund is the statutory fund into which all the receipts of an Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

### Capital receipts reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

### Capital grants unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

## 11 Other Operating Expenditure

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

Other Operating Expenditure	2018/19	2019/20
	£000	£000
Levies	38	100
Payments to the Government Housing Capital Receipts Pool	1	0
Gains/losses on the disposal of non-current assets	19,294	219
Pension administration costs	448	515
Other income*	(1,586)	(1,865)
<b>Total</b>	<b>18,195</b>	<b>(1,031)</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 and 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.

2019/20	Balance as at 31 March 2019	Transfers to Reserves 2019/20	Transfers from Reserves 2019/20	Balance as at 31 March 2020
	£000	£000	£000	£000
<b>Education Reserves</b>	(3,088)	(1,820)	2,943	(1,965)
<b>Other Ring Fenced</b>	(2,607)	(220)	564	(2,263)
<b>Other Reserves</b>	(6,408)	(1,832)	3,540	(4,700)
<b>PCC Earmarked Reserves:</b>				
Carry Forwards and Corporate Health	(1,215)	(100)	1,215	(100)
Redundancies Reserve	(205)	0	47	(158)
Modernisation Enabler	(163)	0	0	(163)
Life Centre Dowry	(200)	(150)	0	(350)
Investment Fund	(165)	(112)	142	(135)
Business Rates Reserve	(4,122)	0	4,122	0
Integrated Finance Reserve	(2,033)	(305)	1,745	(593)
Pension Reserve	0	(3,500)	0	(3,500)
Other PCC Earmarked reserves	(4,463)	(9,123)	3,456	(10,130)
<b>Total Reserves</b>	<b>(24,669)</b>	<b>(17,162)</b>	<b>17,774</b>	<b>(24,057)</b>

2018/19	Balance as at 31 March 2018	Transfers to Reserves 2018/19	Transfers from Reserves 2018/19	Balance as at 31 March 2019
	£000	£000	£000	£000
<b>Education Reserves</b>	(3,746)	(4)	662	(3,088)
<b>Other Ring Fenced</b>	(3,683)	(240)	1,316	(2,607)
<b>Other Reserves</b>	(6,585)	(2,746)	2,923	(6,408)
<b>PCC Earmarked Reserves:</b>				
Carry Forwards and Corporate Health	(803)	(1,215)	803	(1,215)
Redundancies Reserve	(314)	(138)	247	(205)
Modernisation Enabler	(576)	(122)	535	(163)
Life Centre Dowry	(1,050)	(150)	1,000	(200)
Investment Fund	(92)	(76)	3	(165)
Business Rates Reserve	0	(4,122)	0	(4,122)
Integrated Finance Reserve	(2,794)	(4,896)	5,657	(2,033)
Other PCC Earmarked reserves	(6,099)	(3,752)	5,388	(4,463)
<b>Total Reserves</b>	<b>(25,742)</b>	<b>(17,461)</b>	<b>18,534</b>	<b>(24,669)</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 2020 balance relating to the School budget share was £1.829m (31 March 2019: £2.618m).

PFI Reserve – The Council receives PFI credits towards the schools PFI contract at Wood View Campus 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 [17.1](#).

Analysis of Income/Expenditure	2018/19	2019/20
	£000	£000
Interest payable and similar charges	23,716	15,792
Fair value for capital share purchase	0	73,435
Fair value for Financial Instruments	(2,369)	6,460
Pensions interest cost and expected return on pension assets	13,876	11,980
Interest receivable and similar income	(2,798)	(3,334)
(Surplus)/deficit on trading undertakings not included in Net Cost of Service	206	48
Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal	(3,038)	(11,840)
<b>Total</b>	<b>29,593</b>	<b>92,541</b>

### 14 Taxation and Non-Specific Grant Income and Expenditure

Analysis of Income	2018/19	2019/20
	£000	£000
Council Tax income	(107,122)	(112,317)
Non Domestic Rates	(75,261)	(57,229)
Non-ringfenced Government Grants	(14,819)	(22,550)
Capital Grants and Contributions	(22,840)	(10,143)
<b>Total</b>	<b>(220,042)</b>	<b>(202,239)</b>

## 15 Property, Plant and Equipment

### 15.1 Movement in Year

The movement in Property, Plant and Equipment (PPE) in 2019/20 is summarised in the following table:

2019/20	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 of Valuation</b>									
At 1 April 2019	547,976	67,178	237,612	64,837	1,724	3,942	61,466	984,735	123,318
Additions	4,472	2,656	13,916	312	1,611	37	42,639	65,643	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	28,125	0	0	0	270	890	0	29,285	183
Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(12,230)	0	0	(2,898)	0	(320)	0	(15,448)	(9)
Derecognition - disposals	(208)	(761)	(461)	0	0	(108)	0	(1,538)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	(280)	0	(280)	0
Other movements in cost or valuation	5,577	6	7,637	(1,719)	0	(950)	(14,277)	(3,726)	0
<b>At 31 March 2020</b>	<b>573,712</b>	<b>69,079</b>	<b>258,704</b>	<b>60,532</b>	<b>3,605</b>	<b>3,211</b>	<b>89,828</b>	<b>1,058,671</b>	<b>123,492</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2019	(38,476)	(43,518)	(101,022)	(2,374)	(1,302)	(82)	0	(186,774)	(4,680)
Depreciation charge	(8,002)	(4,289)	(11,930)	0	0	(4)	0	(24,225)	(40)
Depreciation written out to the Revaluation Reserve	11,547	0	0	0	0	80	0	11,627	4,173
Depreciation written out to the surplus/deficit on the Provision of Services	2,176	0	0	2,374	0	1	0	4,551	114
Impairment losses/(reversals) recognised in the Revaluation Reserve	(8,848)	0	0	0	0	(119)	0	(8,967)	0
Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services	4,975	0	0	0	0	0	0	4,975	0
Derecognition - disposals	38	761	453	0	0	0	0	1,252	0
Other movements in depreciation and impairment	154	0	(154)	0	0	0	0	0	0
<b>At 31 March 2020</b>	<b>(36,436)</b>	<b>(47,046)</b>	<b>(112,653)</b>	<b>0</b>	<b>(1,302)</b>	<b>(124)</b>	<b>0</b>	<b>(197,561)</b>	<b>(433)</b>
<b>Net Book Value</b>									
<b>At 31 March 2020</b>	<b>537,276</b>	<b>22,033</b>	<b>146,051</b>	<b>60,532</b>	<b>2,303</b>	<b>3,087</b>	<b>89,828</b>	<b>861,110</b>	<b>123,059</b>
<b>At 31 March 2019</b>	<b>509,500</b>	<b>23,660</b>	<b>136,590</b>	<b>62,463</b>	<b>422</b>	<b>3,860</b>	<b>61,466</b>	<b>797,961</b>	<b>118,638</b>

2018/19	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 of Valuation</b>									
At 1 April 2018	534,941	65,776	228,241	58,827	1,724	2,870	32,712	925,091	119,505
Additions	14,277	2,113	8,724	4,289	0	253	39,055	68,711	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	31,814	0	0	0	0	(316)	0	31,498	3,813
Revaluation Increases/(decreases) recognised in the surplus/deficit on the Provision of Services	(9,968)	0	0	0	0	(390)	0	(10,358)	0
Derecognition - disposals	(3,474)	(26)	0	0	0	(57)	0	(3,557)	0
Other movements in cost or valuation	(19,614)	(685)	647	1,721	0	1,582	(10,301)	(26,650)	0
<b>At 31 March 2019</b>	<b>547,976</b>	<b>67,178</b>	<b>237,612</b>	<b>64,837</b>	<b>1,724</b>	<b>3,942</b>	<b>61,466</b>	<b>984,735</b>	<b>123,318</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2018	(35,349)	(39,715)	(89,808)	(1,882)	(1,302)	(78)	0	(168,134)	(3,731)
Depreciation charge	(18,974)	(4,394)	(11,174)	(492)	0	(46)	0	(35,080)	(4,622)
Depreciation written out to the Revaluation Reserve	12,929	0	0	0	0	290	0	13,219	3,673
Depreciation written out to the surplus/deficit on the Provision of Services	1,181	0	0	0	0	28	0	1,209	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	(6,188)	0	0	0	0	0	0	(6,188)	0
Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services	2,167	(7)	(40)	0	0	0	0	2,120	0
Derecognition - disposals	2,440	26	0	0	0	0	0	2,466	0
Other movements in depreciation and impairment	3,318	572	0	0	0	(276)	0	3,614	0
<b>At 31 March 2019</b>	<b>(38,476)</b>	<b>(43,518)</b>	<b>(101,022)</b>	<b>(2,374)</b>	<b>(1,302)</b>	<b>(82)</b>	<b>0</b>	<b>(186,774)</b>	<b>(4,680)</b>
<b>Net Book Value</b>									
<b>At 31 March 2019</b>	<b>509,500</b>	<b>23,660</b>	<b>136,590</b>	<b>62,463</b>	<b>422</b>	<b>3,860</b>	<b>61,466</b>	<b>797,961</b>	<b>118,638</b>
<b>At 31 March 2018</b>	<b>499,592</b>	<b>26,061</b>	<b>138,433</b>	<b>56,945</b>	<b>422</b>	<b>2,792</b>	<b>32,712</b>	<b>756,957</b>	<b>115,774</b>

## 15.2 Commitments Under Capital Contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2020 amounted to £106.971m (31 March 2019: £51.065m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme. Significant contractual commitments outstanding as at 31 March 2020 were as follows:

Project	Contractor	Amount
		<b>£000</b>
Forder Valley Link Road	Balfour Beatty	36,000
Plymouth Rail Station Regeneration	Multiple contractors	31,000
Oceansgate Remediation/Separation Works	Balfour Beatty	7,000
Oceansgate Phase 2 Direct Development	Kier Construction	4,500
Millbay Boulevard	South West Highways	2,400
Oceansgate - Phase 2 Offsite Drainage	Balfour Beatty	2,000
E Corridor Junction Improvements	South West Highways	1,900
Cycle F: Routes within Derriford Community Park, Bircham Valley and Forder Valley	Balfour Beatty	1,500
RIO Loan Devonport Market Hall	Classic Builders and Professional Services	1,500
Ply Railway Station Concourse	Great Western Railway	1,200
PfH North Prospect Regeneration - Phase 4	Plymouth Community Homes	1,000
Other Contractual Commitments under £1m		16,971
<b>Total</b>		<b>106,971</b>

### 15.3 Revaluations

The Council revalues a significant proportion of its Property, Plant and Equipment (PPE) on an annual basis and then carries out a rolling programme that ensures that all the remaining property 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 S Sobey and Ms S Partridge, RICS Registered Valuers, except for the Energy from Waste Plant which is revalued by an external valuer appointed by Devon County Council and the Tamar Bridge and Torpoint Ferry properties which is revalued by an external valuer appointed by Cornwall Council.

Revaluations	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Carried at historical cost	1,153	22,033	0	23,186
<b>Valued at Current Value as at :</b>				
31 March 2020	389,885	0	3,087	392,972
31 March 2019	85,216	0	0	85,216
31 March 2018	28,933	0	0	28,933
31 March 2017	28,443	0	0	28,443
31 March 2016	3,646	0	0	3,646
<b>Total Cost of Valuation</b>	<b>537,276</b>	<b>22,033</b>	<b>3,087</b>	<b>562,396</b>

## 15.4 Gain/Loss on Disposal of Non-Current Assets

Assets Written Off Balance Sheet	2018/19	2019/20
	£000	£000
Land and property sales	(188)	220
Academy and trust schools	19,482	0
Investment properties	65	0
<b>Total</b>	<b>19,359</b>	<b>220</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 and the Elizabethan House, 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 Edgcombe House and The Box.

### 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 Box 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 2018	5,725	16,883	4,663	27,271
<b>As at 31 March 2019</b>	<b>5,725</b>	<b>16,883</b>	<b>4,663</b>	<b>27,271</b>
<b>Cost or Valuation</b>				
As at 1 April 2019	5,725	16,883	4,663	27,271
Additions	189	217	67	473
Revaluations	0	351	0	351
<b>As at 31 March 2020</b>	<b>5,914</b>	<b>17,451</b>	<b>4,730</b>	<b>28,095</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 expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

Amounts Recognised in the Comprehensive Income and Expenditure Statement	2018/19	2019/20
	£000	£000
Rental income from Investment Property	10,401	13,707
Direct operating expenses arising from Investment Property	(4,568)	(7,393)
<b>Net Gain/(Loss)</b>	<b>5,833</b>	<b>6,314</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

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

Analysis of Movement in Investment Properties	2018/19	2019/20
	£000	£000
<b>Balance at 1 April</b>	<b>137,726</b>	<b>197,732</b>
Additions	59,198	47,576
Disposals	(65)	(215)
Net gains/(losses) from fair value adjustments	(2,680)	5,526
<b>Transfers:</b>		
(to)/from Property, Plant and Equipment	3,553	3,821
<b>Balance at 31 March</b>	<b>197,732</b>	<b>254,440</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 2020 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 2020
2019/20	£000	£000	£000	£000
Industrial sites	0	63,474	0	63,474
Miscellaneous ground rents	0	6,651	3,665	10,316
Miscellaneous lets	0	41,835	34	41,869
Retail ground rents	0	35,929	0	35,929
Offices	0	10,565	0	10,565
Out of town retail	0	81,830	0	81,830
Development and Surplus Land	0	10,262	50	10,312
Lodges	0	145	0	145
<b>Total</b>	<b>0</b>	<b>250,691</b>	<b>3,749</b>	<b>254,440</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 2020
2018/19	£000	£000	£000	£000
Industrial sites	0	43,575	0	43,575
Miscellaneous ground rents	0	6,172	4,054	10,226
Miscellaneous lets	0	26,727	34	26,761
Retail ground rents	0	38,777	0	38,777
Offices	0	9,856	0	9,856
Out of town retail	0	64,091	0	64,091
Other	0	4,396	50	4,446
<b>Total</b>	<b>0</b>	<b>193,594</b>	<b>4,138</b>	<b>197,732</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 Value for Investment Properties

#### Significant Observable Inputs – Level 2

The office and commercial units located in the Council's 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.



## OFFICIAL

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 Council's 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. Valuations are carried out by Mr T Palmer, Ms S Sobey and Ms S Partridge, RICS registered valuers.

### 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 Funding Hierarchy

Investment Properties Categorised within Level 3	31 March 2019	31 March 2020
	£000	£000
<b>Opening Balance</b>	<b>3,987</b>	<b>4,138</b>
Reclassifications in to Investment Properties at Level 3	288	(288)
Total gains/(losses) for the period included in the surplus or deficit on the provision of services resulting from changes in fair value	(137)	(101)
<b>Closing Balance</b>	<b>4,138</b>	<b>3,749</b>

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

## 18 Financial Instruments

### 18.1 Financial Instruments Balances

In 2018/19 the Code adopted IFRS9 – Financial Instruments which replaces IAS39. This new standard affects the classification of financial instruments and the subsequent treatment of changes in fair value. IFRS9 removes the classification of Available for Sale (AFS) financial assets and requires that they are reclassified according to the nature of the transaction. Upon transition to IFRS9 on 1 April 2018, the Council makes an irrevocable election to designate the pooled investments and share equity as Fair Value through Other Comprehensive Income (FVOCI).

### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right

to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

The financial assets held by the Council during the year are accounted for under the following three classifications:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
  - cash in hand;
  - bank current and deposit accounts;
  - fixed term deposits and reverse repurchase agreements with banks and building societies;
  - loans to other local authorities;
  - loans to smaller companies and housing associations;
  - certificates of deposit and covered bonds issued by banks and building societies;
  - treasury bills and gilts issued by the UK Government;
  - loans made for service purposes;
  - leases receivables;
  - trade receivables for goods and services provided.
- Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:
  - bonds issued by banks, building societies, the UK Government, multilateral development banks and large companies that the Council holds to sell if cash flow needs demand;
  - pooled bond, equity and property funds managed and held as strategic investments;
  - equity investments held for service purposes;
  - trade receivables for goods and services.
- Fair value through profit and loss (all other financial assets) comprising:
  - money market funds managed by fund managers;
  - pooled bond, equity and property funds managed by fund managers;
  - equity investments;
  - loans where the cash flows are not solely payments of principal and interest;
  - structured deposits with banks and building societies.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised of:

## OFFICIAL

- long-term loans from the Public Works Loan Board;
- short-term loans from other local authorities;
- overdraft;
- lease payables;
- Private Finance Initiative;
- trade payables for goods and services received.

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

Financial Assets	Fair Value Level	Long-Term		Short-Term		Total	
		31 March 19	31 March 20	31 March 19	31 March 20	31 March 19	31 March 20
		£000	£000	£000	£000	£000	£000
<b>At fair value through profit or loss:</b>							
Money Market Fund (MMF)	1	0	0	26,012	32,554	26,012	32,554
<b>At fair value through other comprehensive income:</b>							
Pooled Funds / Equity Instruments	1	37,374	50,914	0	0	37,374	50,914
<b>Amortised cost:</b>							
Long-term investments	2	3,123	123	0	0	3,123	123
Short-term investments	2	0	0	17,008	12,115	17,008	12,115
Cash and cash equivalents (less MMF)	1	0	0	5,851	6,236	5,851	6,236
<b>Total Investments</b>		<b>40,497</b>	<b>51,037</b>	<b>48,871</b>	<b>50,905</b>	<b>89,368</b>	<b>101,942</b>
Trade debtors held at amortised cost	1	0	0	17,772	20,085	17,772	20,085
<b>Total Financial Assets *</b>		<b>40,497</b>	<b>51,037</b>	<b>66,643</b>	<b>70,990</b>	<b>107,140</b>	<b>122,027</b>

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

Financial Liabilities	Fair Value Level	Long-Term		Short-Term		Total	
		31 March 19	31 March 20	31 March 19	31 March 20	31 March 19	31 March 20
		£000	£000	£000	£000	£000	£000
<b>Loans at amortised cost:</b>							
PWLB	2	(45,335)	(40,709)	0	0	(45,335)	(40,709)
Market Loans	2	(84,119)	(84,324)	0	0	(84,119)	(84,324)
Other borrowing	2	(54,111)	(10,105)	(281,266)	(468,223)	(335,377)	(478,328)
<b>Total Borrowing</b>		<b>(183,565)</b>	<b>(135,138)</b>	<b>(281,266)</b>	<b>(468,223)</b>	<b>(464,831)</b>	<b>(603,361)</b>
<b>Liabilities at amortised cost:</b>							
Other long-term liabilities	1	(120,545)	(118,652)	0	0	(120,545)	(118,652)
Trade creditors	1	0	0	(30,602)	(31,110)	(30,602)	(31,110)
<b>Total Financial Liabilities</b>		<b>(304,110)</b>	<b>(253,790)</b>	<b>(311,868)</b>	<b>(499,333)</b>	<b>(615,978)</b>	<b>(753,123)</b>

Note: LOBOs (Local Authority Lender's Option Borrower's Option loans) of £34m have been included in Market Loans 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.

### Financial Assets Comparison to Fair Values

The fair values of the financial assets are equal to their balance sheet values

## Financial Liabilities Comparison to Fair Values

Financial Liabilities	Balance Sheet 31 March 19	Fair Value 31 March 19	Balance Sheet 31 March 20	Fair Value 31 March 20
	£000	£000	£000	£000
<b>Loans at amortised cost:</b>				
PWLB	45,335	68,986	40,709	65,199
LOBO loans	66,187	107,258	66,123	118,542
Other market loans	18,198	29,286	18,201	30,695
Other long-term loans	53,845	53,845	10,105	10,105
Short-term borrowing	281,266	281,266	468,223	468,223
<b>Total Borrowing</b>	<b>464,831</b>	<b>540,641</b>	<b>603,361</b>	<b>692,764</b>

## 18.2 Equity Instruments Elected to Fair Value through Other Comprehensive Income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holding and changes in their fair value are not considered to be part of the Council's annual financial performance.

	Fair Value		Dividends	
	31 March 19	31 March 20	31 March 19	31 March 20
	£000	£000	£000	£000
CCLA Property Fund	23,015	22,192	1,479	1,008
CCLA Diversified Income Fund	4,899	4,459	158	114
Schoders Income Maximiser	9,460	13,155	249	166
Investec Short Bond Fund	0	0	37	0
Payden and Rygel Sterling Reserve Fund	0	0	3	0
Fidelity Enhanced Income Fund *	0	6,108	0	133
Public Sector Social Impact Fund *	0	5,000	0	0
<b>Total</b>	<b>37,374</b>	<b>50,914</b>	<b>1,926</b>	<b>1,421</b>

\* Funds sold during 2019/20

## 18.3 Gains and Losses on Financial Instruments

The income, expense, gains and losses recognised in the CIES in relation to financial instruments are made as follows:

	2018/19		2019/20	
	Surplus or Deficit on the Provision of Service	Other Comprehensive Income and Expenditure	Surplus or Deficit on the Provision of Service	Other Comprehensive Income and Expenditure
	£000	£000	£000	£000
<b>Net gains/losses on:</b>				
Investment in equity instruments designated at fair value through other comprehensive income	0	(287)	0	(6,460)
Other financial assets measured at fair value through other comprehensive income	0	(50)	0	0
<b>Interest and Similar Income</b>	<b>0</b>	<b>(337)</b>	<b>0</b>	<b>(6,460)</b>
At fair value through profit and loss	148	0	137	0
At fair value through other comprehensive income	1,932	0	1,422	0
Amortised cost	718	0	1,775	0
<b>Total Interest Revenue</b>	<b>2,798</b>	<b>0</b>	<b>3,334</b>	<b>0</b>
<b>Total Income</b>	<b>2,798</b>	<b>(337)</b>	<b>3,334</b>	<b>(6,460)</b>
Interest expense at amortised costs	(14,325)	0	(15,792)	0
<b>Total Interest Expense</b>	<b>(14,325)</b>	<b>0</b>	<b>(15,792)</b>	<b>0</b>
<b>Net (Gain)/Loss for the Year</b>	<b>(11,527)</b>	<b>(337)</b>	<b>(12,458)</b>	<b>(6,460)</b>

#### 18.4 Financial Instruments – Fair Value

Financial instruments, except those classified at amortised cost, 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 by calculating the net present value of the remaining contractual cash flows at 31 March 2020, using the following methods and assumptions:

- shares in limited company have been valued from the company's balance sheet net assets.

Financial instruments classified at amortised cost 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 31st March 2019, using the following methods and assumptions:

- loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for Local Authority loans;
- the value of Lender's Option Borrower's Option (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate;
- the fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March;
- the fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made;

## OFFICIAL

- the fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield;
- no early repayment or impairment is recognised for any financial instrument;
- the fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in table 18.1, 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.

### 18.5 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 (revised in 2017).

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's website.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government's (MHCLG) 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

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap, other contracts and equity prices when selecting commercial entities for investment.

A limit of £25m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in building societies there is a smaller limit of £10m applies. The Council also sets limits on investments in certain sectors.

Credit Rating	31 March 2019		31 March 2020	
	Long-Term	Short-Term	Long-Term	Short-Term
	£000	£000	£000	£000
AAA	0	0	0	0
AA	0	27,633	0	32,554
A+	65	21,237	65	17,341
A	0	0	0	0
A-	3,000	0	0	0
Unrated	0	0	58	0
<b>Total</b>	<b>3,065</b>	<b>48,870</b>	<b>123</b>	<b>49,895</b>
Credit risk not applicable*	37,432	0	50,914	1,010
<b>Total Investments</b>	<b>40,497</b>	<b>48,870</b>	<b>51,037</b>	<b>50,905</b>

\* Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money.

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 Council has not applied any loss adjustment for credit risk for its loans to other entities. There is no change from the previous year, in which loans and receivables were accounted for under IAS39 and there was no requirement to consider "expected loss" for these investments. Although the previous accounting standards, IAS39, did not require local authorities to impair (or create a provision for) debtors unless it was known that the debtor could not pay ("incurred loss"), the Council did provide for "expected loss". The Council has not changed how it provides for bad debts and it has not been necessary to restate opening balances.

### 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.

It is however exposed to the risk that it will need to refinance a significant proportion of its short term borrowing at a time of unfavourably high interest rates.

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



Loans Outstanding	31 March 2019	31 March 2020
	£000	£000
Public Works Loan Board	(45,335)	(40,709)
Market debt	(84,119)	(82,790)
Temporary borrowing	(323,653)	(468,223)
Other borrowing	(11,724)	(11,639)
Deferred liability (PFI)	(104,130)	(104,130)
Deferred liability (finance leases)	(1,515)	(1,514)
Other liabilities	(14,900)	(17,595)
Trade creditors	(30,602)	(31,110)
<b>Total</b>	<b>(615,978)</b>	<b>(757,710)</b>
Less than 1 year	(321,353)	(505,455)
Between 1 and 2 years	(12,994)	(4,549)
Between 2 and 5 years	(60,904)	(21,258)
Between 5 and 10 years	(65,646)	(40,974)
Between 10 and 20 years	(64,380)	(66,171)
Between 20 and 30 years	(3,081)	(31,689)
Between 30 and 40 years	(19,127)	(24,157)
Between 40 and 50 years	(30,174)	(25,161)
Over 50 years	(38,319)	(38,296)
<b>Total</b>	<b>(615,978)</b>	<b>(757,710)</b>

The Council has £64m (2018/19: £64m) of LOBO loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

£465m of short-term borrowing in place at 31 March 2020 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 2019/20 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.

The Council has £465m short-term (less than 12 months) loans so there is an interest rate risk if the rates go up. If there is a 0.5% increase in the bank rate it will cost an additional £2.325m per year.

The Council has £64m (2018/19: £64m) of Lender's Option, Borrower's Option (LOBO) loans with fixed interest rates and with maturity dates between 2031 and 2078 where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty.

In the current low interest rate environment, the likelihood of the lender increasing the rate is low, however, the likelihood will increase in later years should market interest rates rise. For instance, a rise in interest rates would have the following effects:

## OFFICIAL

- borrowings at variable rates – the interest expense will rise;
- borrowings at fixed rates – the fair value of the liabilities will fall;
- investments at variable rates – the interest income will rise;
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair 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. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

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. 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 investment fund of £20m. A 1% fall in commercial property prices would result in a £0.2m 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 £15m. A 1% fall in share prices would result in a £0.15m charge to Other Comprehensive Income and Expenditure – this would have no impact on the General Fund until the investments were sold.

## 19 Debtors

### 19.1 Short-Term Debtors

Debtors due within the next 12 months are:

Category of Debtor	31 March 2019	31 March 2020
	£000	£000
<b>Amounts falling due in one year:</b>		
Central government departments	12,284	4,182
NHS bodies	727	1,026
Other local authorities	2,903	4,068
Other entities and individuals	48,315	41,982
<b>Total Short Term Debtors</b>	<b>64,229</b>	<b>51,258</b>

## 19.2 Long-Term Debtors

Debtors due after 12 months are:

Category of Debtor	31 March 2019	31 March 2020
	£000	£000
Secured debt	487	273
Other loans/mortgages	10,438	11,318
<b>Total Long-term Debtors</b>	<b>10,925</b>	<b>11,591</b>

## 19.3 Bad Debt Provision

Analysis of Provision Held	31 March 2019	Provision Made in Year	Provision Used in Year	31 March 2020
	£000	£000	£000	£000
General fund	(1,638)	(465)	478	(1,625)
Housing benefit overpayments provision	(4,320)	(726)	696	(4,350)
Collection fund	(6,186)	(2,051)	984	(7,253)
<b>Total Provisions for Bad Debt</b>	<b>(12,144)</b>	<b>(3,242)</b>	<b>2,158</b>	<b>(13,228)</b>

## 20 Creditors

### 20.1 Short-Term Creditors

Creditors payable within the next 12 months are:

Category of Creditor	31 March 2019	31 March 2020
	£000	£000
Central government departments	(6,491)	(9,506)
Corporations and trading funds	0	(27)
NHS bodies	(3,298)	(1,707)
Other local authorities	(2,789)	(1,908)
Other entities and individuals	(52,118)	(51,374)
<b>Total Short-term Creditors</b>	<b>(64,696)</b>	<b>(64,522)</b>

### 20.2 Long-Term Creditors

Creditors payable after 12 months are:

Category of Creditor	31 March 2019	31 March 2020
	£000	£000
Other local authorities	(13,736)	(12,561)
Other entities and individuals	(152)	(137)
<b>Total Long-term Creditors</b>	<b>(13,888)</b>	<b>(12,698)</b>

The amount included within the other Local Authorities relates to a liability to Devon County Council for unfunded pension liabilities relating to pre Local Government Reorganisation (that is pre 1 April 1998).

### 20.3 Other Long-Term Liabilities

Analysis of Other Long-term Liabilities	31 March 2019	31 March 2020
	£000	£000
PFI finance leases	(104,130)	(100,567)
Other finance leases	(1,515)	(1,465)
Cornwall Council - re Tamar Bridge and Torpoint Ferry Joint Committee	(14,900)	(16,620)
<b>Total</b>	<b>(120,545)</b>	<b>(118,652)</b>

### 21 Provisions

The Council has a number of budget provisions set up to meet known liabilities. The balance on the provisions at year end together with movement in the year is outlined as follows:

Analysis of Provisions Held	31 March 2019	Provisions Made in Year	Payments Used in Year	Unused Amounts Reversed in Year	31 March 2020
	£000	£000	£000	£000	£000
Insurance provision	(2,737)	(2,625)	2,243	233	(2,886)
Landfill site provision	(9,295)	0	309	944	(8,042)
Other provisions	(2,570)	(166)	807	0	(1,929)
<b>Total Provisions</b>	<b>(14,602)</b>	<b>(2,791)</b>	<b>3,359</b>	<b>1,177</b>	<b>(12,857)</b>

The provisions include short-term provisions of £2.987m (2018/19: £1.756m) and long-term provisions of £9.870m (2018/19: £12.846m).

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 £8.042m as at 31 March 2020 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 48 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 £1.889m as at 31 March 2020 (2018/19: £2.530m) for business rate appeals.

## 22 Unusable Reserves

The Council holds a number of unusable reserves in the Balance sheet. Some are required to be held for statutory reasons and some are needed to comply with proper accountancy practice.

Analysis of Reserves	Note	31 March 2019	31 March 2020
		£000	£000
<b>Unusable Reserves:</b>			
Revaluation Reserve	<a href="#">22.1</a>	202,521	228,398
Capital Adjustment Account	<a href="#">22.2</a>	204,544	132,260
Financial Instruments Adjustments Account	<a href="#">22.3</a>	(27,227)	(26,618)
Pensions Reserve	<a href="#">22.4</a>	(554,631)	(449,685)
Collection Fund Adjustment Account		(5,514)	(1,621)
Accumulating Compensated Absences Adjustment Account		(2,326)	(1,603)
Deferred Capital Receipts		38	16
Financial Instruments Revaluation Reserve		2,369	(4,090)
<b>Total Unusable Reserves</b>		<b>(180,226)</b>	<b>(122,943)</b>

### 22.1 Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of service and the gains are consumed through depreciation, or;
- disposed of and the gains are realised.

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	2018/19	2019/20
	£000	£000
<b>Balance at 1 April</b>	<b>176,675</b>	<b>202,521</b>
Upward revaluation of assets	57,133	47,781
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the Provision of Services	(12,298)	(6,072)
<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>44,835</b>	<b>41,709</b>
Release of Investment Property Balance	0	(1,927)
Difference between fair value depreciation and historical cost depreciation	(13,934)	(13,720)
Accumulated gains on assets sold or scrapped	(5,055)	(185)
<b>Amount Written Off to the Capital Adjustment Account</b>	<b>(18,989)</b>	<b>(15,832)</b>
<b>Balance at 31 March</b>	<b>202,521</b>	<b>228,398</b>

### 22.2 Capital Adjustment Account

## OFFICIAL

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 CIES (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	2018/19	2019/20
	£000	£000
<b>Balance at 1 April</b>	<b>231,269</b>	<b>204,544</b>
Release of Investment Property balance in the Revaluation Reserve	0	1,927
<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	(39,217)	(27,675)
Revaluation losses on Property, Plant and Equipment	(9,280)	(11,853)
Amortisation of intangible assets	(7)	(7)
Revenue expenditure funded from capital under statute	(8,528)	(10,588)
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	(16,483)	(446)
Adjusting amounts written out of the Revaluation Reserve	13,934	13,720
Revaluation losses on Share Purchase	0	(73,435)
<b>Capital Financing Applied in the Year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	6,356	1,661
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	24,882	14,425
<b>Amounts Reserved for Future Capital Funding:</b>		
Statutory provision for the financing of capital investment charged against the General Fund (includes TBTF element)	7,280	10,872
Capital expenditure charged against General Fund	939	523
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(2,680)	5,526
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	256
<b>Other Movement on the CAA in Year:</b>		
Landfill Site Provision	0	944
Write down of long-term debtors	(240)	(458)
Deferred credit - Energy from Waste	2,324	2,324
Initial recognition of the RIF loan	(6,005)	0
<b>Balance at 31 March</b>	<b>204,544</b>	<b>132,260</b>

## 22.3 Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for the accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid and discounts received on the early redemption of loans. During the year there was no early redemption of LOBO loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the net expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on Council Tax payers. In the Council's case this period is the unexpired term that was outstanding on loans when they were redeemed.

Movement in Financial Instruments Adjustment Account	2018/19	2019/20
	£000	£000
<b>Balance at 1 April</b>	<b>(18,446)</b>	<b>(27,227)</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(8,848)	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory	(20)	544
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	87	65
<b>Balance at 31 March</b>	<b>(27,227)</b>	<b>(26,618)</b>

## 22.4 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 CIES 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	2018/19	2019/20
	£000	£000
<b>Balance at 1 April</b>	<b>(576,385)</b>	<b>(554,631)</b>
Actuarial gains or losses on pensions assets and liabilities	35,639	67,438
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(34,891)	(49,349)
Employer's pensions contributions and direct payments to pensioners payable in the year	19,878	85,682
(Increase)/decrease in Plymouth's share of next deficit in year of Devon County Council Pension Fund	1,128	1,175
<b>Balance at 31 March</b>	<b>(554,631)</b>	<b>(449,685)</b>



## 23 Notes to the Cash Flow

### 23.1 Cash Flow Statement – Operating Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

Analysis of Operating Activities	2018/19	2019/20
	£000	£000
<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>(62,178)</b>	<b>(50,675)</b>
Adjust net surplus or deficit on the provision of services for non-cash movements:		
Depreciation	41,934	27,675
Impairment and downward valuations	(7,371)	(3,794)
Amortisation	7	7
Impairment losses on investments debited to surplus or deficit on the Provision of Services in year	(1,359)	6,459
Adjustments for effective interest rates	1,925	61
(Increase)/decrease in interest creditors	(1,940)	(607)
(Increase)/decrease in creditors	9,971	2,428
(Increase)/decrease in interest and dividend debtors	(7)	(107)
(Increase)/decrease in debtors	(1,414)	5,264
(Increase)/decrease in inventories	11	12
Pension liability	21,754	(37,509)
Revaluation Losses on Share Purchase	0	73,435
Contributions to/(from) Provisions	(2,134)	(1,745)
Donations	0	(256)
Carrying amount of non-current assets sold	16,483	446
Movement in Investment Property values	2,680	(5,526)
<b>Total</b>	<b>80,540</b>	<b>66,243</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	(27,903)	(16,150)
Proceeds from the sale of short-term and long-term investments	(8,020)	3,047
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,325)	(2,209)
<b>Total</b>	<b>(37,248)</b>	<b>(15,312)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>(18,886)</b>	<b>256</b>

The cash flows for operating activities include the following items:

Analysis of Interest Paid and Received	2018/19	2019/20
	£000	£000
Interest received	1,418	3,385
Interest paid	(14,354)	(16,398)
Dividend received	1,475	0

**23.2 Cash Flow Statement – Investing Activities**

Analysis of Investing Activities	2018/19	2019/20
	£000	£000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(128,326)	(187,379)
Purchase of short-term and long-term investments	(303)	(20,000)
Other payments for Investing Activities	(155)	(4,099)
Proceeds from the sale of Property, Plant and Equipment, Investment Properties and Intangible Assets	1,514	2,231
Proceeds from short-term and long-term investments	8,020	4,893
Other Receipts from Investing Activities	44,771	54,939
<b>Net Cash Flows from Investing Activities</b>	<b>(74,479)</b>	<b>(149,415)</b>

**23.3 Cash Flow Statement – Financing Activities**

Analysis of Financing Activities	2018/19	2019/20
	£000	£000
Cash receipts of short-term and long-term borrowing	701,644	750,985
Billing Authorities - Council Tax and NDR adjustments	(6,160)	1,014
Repayment of short-term and long-term borrowing	(596,942)	(592,501)
Payments for the reduction of a finance lease liability	(41)	(49)
Payments for the reduction of a PFI liability	(3,553)	(3,363)
<b>Net Cash Flows from Financing Activities</b>	<b>94,948</b>	<b>156,086</b>

**23.4 Cash Flow Statement – Cash and Cash Equivalents**

Analysis of Cash and Cash Equivalents	2018/19	2019/20
	£000	£000
Cash and bank balances	695	379
Cash Investments - regarded as cash equivalents	29,572	37,715
Tamar Bridge and Torpoint Ferry	1,596	696
<b>Net Cash Flows from Cash and Cash Equivalents</b>	<b>31,863</b>	<b>38,790</b>

**24 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 pooled budget is currently hosted by NEW Devon CCG (who, from 1 April 2019, will be merging with South Devon CCG and will then be known as Devon CCG) on behalf of the two partners to the agreement, although the two partners keep their own accounts in their separate ledgers. All spend is allocated a lead commissioner. The

OFFICIAL

risk share allows for the Council and the CCG to share the risk and reward of over and under-spends, up to the value of 0.5% of the agreed applicable value of the Integrated Fund, is proportional to the value of the contribution of each party to the Integrated Fund and also ensures that the risk to each partner is capped.

<b>Pooled Budget - Integrated Fund</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
<b>Contribution to the Pooled Budget:</b>		
Plymouth City Council's contribution:		
Pooled	178,835	183,847
Aligned	80,067	71,722
<b>Total Plymouth City Council</b>	<b>258,902</b>	<b>255,569</b>
NEW Devon CCG's contribution:		
Pooled	140,356	139,155
Aligned	211,488	241,662
<b>Total NEW Devon CCG</b>	<b>351,844</b>	<b>380,817</b>
<b>Total Combined Integrated Fund</b>	<b>610,746</b>	<b>636,386</b>
<b>Expenditure met from the Pooled Budget:</b>		
Plymouth City Council	261,608	255,680
NEW Devon CCG	356,089	380,982
<b>Total Expenditure on Integrated Fund</b>	<b>617,697</b>	<b>636,662</b>
<b>Net (Surplus)/Deficit on the Integrated Fund During the Year</b>	<b>6,951</b>	<b>276</b>

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

<b>Plymouth Better Care Fund</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
NEW Devon CCG Lead Commissioner	9,443	10,334
Plymouth City Council Lead Commissioner	10,899	11,081
<b>Total Plymouth Better Care Fund</b>	<b>20,342</b>	<b>21,415</b>

## 25 Members' Allowances

<b>Analysis of Members' Allowances</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
Basic allowance	614	627
Special responsibility	359	375
Travel, subsistence and other expenses	3	2
<b>Total</b>	<b>976</b>	<b>1,004</b>

Travel and subsistence and other expenses covers claims submitted by Councillors. Expenses such as rail or air fares may be raised through the Council's internal procurement system. These are charged

OFFICIAL

to the Members Support budget where these relate directly to a Member's corporate responsibility, or, if incurred in relation to a specific service issue, directly 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, Chief Executive Office, Ballard House, Plymouth PL1 3BJ.

## 26 Officers' Remuneration

### 26.1 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 are identified by name. Plymouth defines relevant senior staff as members of the Corporate Management Team (Directors) and Departmental Management Teams (Service Directors).

Senior Management Post	Financial Year	Salaries, Fees and Allowances	Pension Contributions	Total Remuneration	Notes
<b>Salary over £150,000</b>		<b>£</b>	<b>£</b>	<b>£</b>	
Tracey Lee - Chief Executive (Head of Paid Service)	2019/20	188,551	23,402	211,953	Includes election duty payments as the Returning Officer.
	2018/19	166,926	22,943	189,869	
<b>Salary over £50,000 but less than £150,000</b>					
Assistant Chief Executive	2019/20	123,762	15,988	139,750	Includes additional duties payments and election duty payments as Deputy Returning Officer.
	2018/19	97,827	13,475	111,302	
Director of Children's Services	2019/20	125,000	18,375	143,375	Post shared with Torbay Council.
	2018/19	119,280	17,534	136,814	
Director of Public Health	2019/20	107,837	15,507	123,344	
	2018/19	105,723	15,203	120,926	
Strategic Director of Customer and Corporate Services	2019/20	125,915	18,375	144,290	Includes election duty payments.
	2018/19	45,833	6,738	52,571	A new post holder commenced on 19 November 2018.
Strategic Director for People	2019/20	125,445	18,375	143,820	
	2018/19	9,940	1,461	11,401	A new post holder commenced on 1 March 2019.
	2018/19	95,778	13,269	109,047	The post holder left the authority on 28 February 2019.
Strategic Director for Place	2019/20	127,980	18,813	146,793	
	2018/19	127,980	18,813	146,793	

Senior Management Post	Financial Year	Salaries, Fees and Allowances	Pension Contributions	Total Remuneration	Notes
Service Director for Children, Young People and Families	2019/20	69,462	10,211	79,673	A new position and post holder commenced on 8 July 2019.
	2018/19	0	0	0	
Service Director for Customer Services and Service Centre	2019/20	88,443	0	88,443	Includes election duty payments.
	2018/19	86,419	0	86,419	
Service Director for Community Connections	2019/20	75,891	11,091	86,982	Includes election duty payments.
	2018/19	74,142	10,873	85,015	
Service Director for Economic Development	2019/20	97,526	14,479	112,005	
	2018/19	97,026	14,479	111,505	
Service Director for Education, Participation and Skills	2019/20	102,428	15,057	117,485	
	2018/19	102,412	15,055	117,467	
Service Director for Finance (Section 151 Officer)	2019/20	100,000	0	100,000	Includes acting up payments for Interim Strategic Director for Transformation and Change
	2018/19	108,093	0	108,093	
Service Director for HR and Organisational Development	2019/20	67,800	9,948	77,748	A new post holder commenced 15 July 2019. Includes election duty payments.
	2018/19	0	0	0	The post was vacant in 2018/19.
Service Director for Integrated Commissioning	2019/20	92,492	13,464	105,956	Includes election duty payments.
	2018/19	7,483	1,100	8,583	A new post holder commenced on 1 March 2019.
	2018/19	94,958	15,420	110,378	The post holder left the authority on 28 February 2019.
Service Director for Strategic Planning and Infrastructure	2019/20	98,496	14,479	112,975	
	2018/19	98,496	14,479	112,975	
Service Director for Street Services	2019/20	36,866	11,910	48,776	The post holder left the authority on 31 May 2019.
	2019/20	16,416	2,413	18,829	
	2018/19	98,496	14,479	112,975	

Senior Management Post	Financial Year	Salaries, Fees and Allowances	Pension Contributions	Total Remuneration	Notes
Head of Legal Services (Monitoring Officer)	2019/20	69,399	10,172	79,571	Role covered by the Assistant Head of Legal Services.
	2018/19	68,714	10,101	78,815	
	2018/19	12,031	1,404	13,435	The post holder left the authority on 15 May 2018.

*Salaries, fees and allowances include expenses such as travel and subsistence. Local authorities receive a government grant for national election duties.*



## 26.2 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 following numbers do not include the senior management as disclosed in note [26.1](#).

Remuneration Bandings	2018/19		2019/20	
	Schools	Non-schools	Schools	Non-schools
£50,000 - £54,999	20	30	17	26
£55,000 - £59,999	7	18	12	28
£60,000 - £64,999	2	9	3	4
£65,000 - £69,999	6	12	3	8
£70,000 - £74,999	3	2	3	2
£75,000 - £79,999	1	1	4	2
£80,000 - £84,999	2	2	1	1
£85,000 - £89,999	3	1	2	2
£90,000 - £94,999	0	0	1	0
£95,000 - £99,999	0	1	0	1
<b>Total</b>	<b>44</b>	<b>76</b>	<b>46</b>	<b>74</b>

## 26.3 Employee Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

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	
	Restated 2018/19	2019/20	Restated 2018/19	2019/20	Restated 2018/19	2019/20	Restated 2018/19	2019/20
							£000	£000
£00,001 - £20,000	6	24	17	33	23	57	259	481
£20,001 - £40,000	2	4	2	6	4	10	93	265
£40,001 - £60,000	0	1	0	1	0	2	0	96
£60,001 - £80,000	3	0	0	0	3	0	212	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	2	0	0	0	2	0	211
<b>Total</b>	<b>11</b>	<b>31</b>	<b>19</b>	<b>40</b>	<b>30</b>	<b>71</b>	<b>564</b>	<b>1,053</b>

The Council terminated the contracts of a number of employees in 2019/20, including school based staff, incurring liabilities of £1.053m (2018/19: £0.689m). This includes a sum of £0.288m to the pension fund in respect of pension strain payments (for example, of the payments in the £100,001 - £150,000 band, 79% relates to the strain payment). The Council's expenditure on Schools is primarily funded by the Dedicated Schools Grant Provided by the Department of Education.

Reasons for termination include 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.

## 27 External Auditor Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

Analysis of External Audit Costs	2018/19	2019/20
Audit Area:	£000	£000
Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor for the year	105	105
Fees payable in respect of other services provided by Grant Thornton LLP during the year	18	18
<b>Total</b>	<b>123</b>	<b>123</b>

## 28 Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, 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 2018. The Schools Budget includes elements for a range of educational services provided on an authority-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		2019/20		
		Central Expenditure	Individual Schools Budget	Total
Note		£000	£000	£000
A	Final DSG before academy and high needs recoupment			205,531
B	Academy and high needs figure recouped			(135,840)
C	<b>Total DSG after Academy and high needs recoupment</b>			<b>69,691</b>
D	Brought forward from 2018/19			589
E	Carry-forward to 2020/21 agreed in advance			0
F	Agreed initial budgeted distribution in 2019/20	21,003	49,278	70,281
G	In year adjustments	(191)	402	211
H	<b>Final budgeted distribution</b>	<b>20,812</b>	<b>49,680</b>	<b>70,492</b>
I	Less actual central expenditure	23,316		23,316
J	Less actual ISB deployed to schools		47,378	47,378
K	Plus Local Authority contribution	0	0	0
L	<b>Carry-forward to 2020/21</b>	<b>(2,504)</b>	<b>2,302</b>	<b>(202)</b>

- A. Final DSG figure before any amount has been recouped from the authority excluding the January 2020 early years block adjustment.
- B. Figure recouped from the authority in 2019/20 by the DfE for the conversion of maintained schools into academies and for high needs payments made by ESFA.
- C. Total DSG figure after academy and high needs recoupment for 2019/20.
- D. Figure brought forward from 2018/19.

- E. Any amount with the authority decided after consultation with the school forum to carry forward to 2020/21 rather than distribute in 2019/20. This may be the difference between estimated and final DSG for 2019/20 or a figure brought forward from 2018/19 which the authority 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 2019/20.
- 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 2020/21 which has the effect of substituting for DSG in funding the Schools Budget.
- L. Carry forward to 2020/21:
  - 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 2020/21 already agreed.

## 29 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

Credited to Taxation and Non-specific Grant Income and Expenditure	2018/19	2019/20
	£000	£000
Section 31 Grants	(7,738)	(6,277)
Capital Grants and Contributions	(22,840)	(10,143)
PFI Credits	(7,081)	(6,740)
Revenue Support Grant	0	(9,533)
<b>Total</b>	<b>(37,659)</b>	<b>(32,693)</b>

Grants Credited to Services	2018/19	2019/20
	£000	£000
Benefits Admin Grant	(1,011)	(935)
Dedicated Schools Grant and Other Education Grants	(68,926)	(69,955)
Housing Benefit Subsidy	(80,445)	(68,202)
Learning and Skills Council	(3,225)	(2,946)
Improved Better Care Fund	(6,980)	(10,454)
Transforming Social Care Grant	(803)	(2,194)
New Homes Bonus	(3,487)	(4,026)
Public Health Grant	(15,330)	(14,664)
Troubled Families Grant	(1,212)	(1,061)
Torbay Children's Services - Government Funding	0	(2,032)
COVID-19 Emergency Fund	0	(8,464)
Other Revenue Grants	(11,836)	(14,046)
<b>Total</b>	<b>(193,255)</b>	<b>(198,979)</b>

The table above now includes the grant figures for the 'Improved Better Care Fund' for 2018/19 and 2019/20. In the Statement of Accounts for 2018/19 this was omitted.

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 grantor. 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	2018/19	2019/20
	£000	£000
Urban Fringe Partnership Housing Capacity Grant	187	51
Business role on behalf of SWLEP	0	145
iMayflower	0	372
HB New Burdens (Welfare Reform)	0	188
ODPH Ringfenced Grant	0	261
Controlling Migration Fund (Plymouth Integrate II)	0	418
South Yard Marine Business Technology (I6R16P01307)	0	168
One Public Estate Phase 4	0	203
City Deal - A deal for young people	0	477
Future High Streets Fund	0	130
ESCo/HNDU	0	208
Other	226	615
<b>Total</b>	<b>413</b>	<b>3,236</b>

Capital Grant Receipts in Advance - Current Liabilities	2018/19	2019/20
	£000	£000
Department for Transport	10,891	18,466
Environment Agency	285	285
Sport England	549	539
Football Foundation	1,009	1,190
Historic England	270	272
Heritage Lottery Fund	42	222
Growth and Housing Fund	4,419	4,470
Homes England	933	375
Ministry for Housing, Communities and Local Government	3,655	5,171
European Regional Development Funding	477	0
Oak Foundation	500	0
Garfield Weston Foundation	250	250
Department for Business, Energy and Industrial Strategy	289	289
S278 Agreements	199	199
Other	384	678
<b>Total</b>	<b>24,152</b>	<b>32,406</b>

Capital Grant Receipts in Advance - Long-term Liabilities	2018/19	2019/20
	£000	£000
Heritage Lottery Fund	11,112	12,123
Arts Council	2,298	3,150
European Regional Development Agency	0	1,007
Department for Transport	0	283
Section 106	19,581	16,454
Growth Deal	22,623	43,538
Homes and Communities Agency	11,920	11,920
<b>Total</b>	<b>67,534</b>	<b>88,475</b>

### 30 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 following table 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	2018/19			2019/20		
		Receipts	Payments	Outstanding Balances/ Commitments	Receipts	Payments	Outstanding Balances/ Commitments
Subsidiaries, Associates and Joint Arrangements		£000	£000	£000	£000	£000	£000
Subsidiaries							
CATER <sup>ed</sup> Ltd	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.	(234)	1,307	107	(160)	1,446	(182)
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.	(17)	6	0	(264)	1	0
Joint Arrangements							
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.	(243)	10,986	219	(536)	11,998	(154)
Plymouth 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)	5	1,956	(62)	27	0

## Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of transactions with Government Departments are set out in note [29](#).

## Members and Officers

Members of the Council have direct control over the Council's financial and operating policies.

The total of members allowances paid in 2019/20 is disclosed in note [25](#).

Members and Officers of the Council have returned 70 declarations of Related Party Transactions for 2019/20, a response rate of 83 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 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. 2019/20 was the fifth 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 the DELT Services website.

### ▪ CATER<sup>ed</sup> Ltd

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% owned by schools and 51 per cent by the Council and serves almost 2.5 million meals to Plymouth school children every year.

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 the CATER<sup>ed</sup> website.

## 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 Council 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 2019/20 was £0.332m (2018/19: £0.325m).

▪ **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 the Council's website.

### **31 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 Requirements	2018/19	2019/20
	£000	£000
<b>Opening Capital Financing Requirement 1 April</b>	<b>463,669</b>	<b>568,585</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	68,711	65,733
Investment Properties	59,198	47,577
Heritage Assets	0	217
Assets Held for Sale	412	154
Initial recognition of Donated Assets	0	256
Revenue Expenditure Funded from Capital Under Statute	8,528	10,588
Initial recognition of RIF loan liability	6,005	0
Initial recognition of share purchase	0	73,435
Other capital expenditure	679	1,425
<b>Total</b>	<b>143,533</b>	<b>199,385</b>
<b>Sources of Finance</b>		
Capital Receipts	(6,356)	(1,661)
Other movements in Long-Term Debtors	(348)	185
Grants and Contributions applied in year	(24,882)	(14,425)
Revenue and Other Funds	(939)	(523)
Minimum Revenue Provision	(7,280)	(10,872)
Use of landfill provision	288	309
Repayment of conditional grant	900	0
<b>Total</b>	<b>(38,617)</b>	<b>(26,987)</b>
<b>Closing Capital Financing Requirement 31 March</b>	<b>568,585</b>	<b>740,983</b>
<b>Explanation of Movement in Year</b>		
Increase in underlying need to borrow	102,241	165,646
Increase in underlying need to borrow resulting from other changes in capital financing requirement	2,675	6,752
<b>Increase/Decrease in Capital Financing Requirement</b>	<b>104,916</b>	<b>172,398</b>

## 32 Leases

The Council is a lessor of a number of properties, including city centre shops, several retail and industrial units. The future minimum lease payments receivable under non-cancellable leases are:

Operating Leases - Authority as a Lessor	31 March 2019	31 March 2020
	£000	£000
Not later than one year	10,976	12,028
Later than one year and not later than five years	33,511	39,789
Later than five years	272,449	286,353
<b>Total</b>	<b>316,936</b>	<b>338,170</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 Private Finance Initiatives (PFI) and Similar Contracts

#### 33.1 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 £5.622m was made in 2019/20 (2018/19: £5.559m). Payments remaining to be made under the PFI contract at 31 March 2020, 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 2019/20	2,452	993	2,177	5,622
Payable in 2020/21	2,555	1,042	2,090	5,687
Payable within two to five years	10,818	5,262	7,348	23,428
Payable within six to ten years	15,856	8,784	6,309	30,949
Payable within eleven to fifteen years	11,756	8,844	1,738	22,338
<b>Total</b>	<b>40,985</b>	<b>23,932</b>	<b>17,485</b>	<b>82,402</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	2018/19	2019/20
	£000	£000
Balance outstanding 1 April	25,904	24,925
Payments during the year	(979)	(993)
<b>Balance Outstanding 31 March</b>	<b>24,925</b>	<b>23,932</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 contributions from the Council and the schools which 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 £3.982 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 future years.

#### 33.2 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 2019/20	3,853	94	3,645	7,592
Payable in 2020/21	3,927	197	3,632	7,756
Payable within two to five years	16,741	1,778	14,235	32,754
Payable within six to ten years	25,097	4,218	16,306	45,621
Payable within eleven to fifteen years	27,394	10,568	12,633	50,595
Payable within sixteen to twenty years	29,860	16,255	5,222	51,337
Payable within twenty one to twenty five years	1,033	707	38	1,778
<b>Total</b>	<b>104,052</b>	<b>33,723</b>	<b>52,066</b>	<b>189,841</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	2018/19 Plymouth Share	2018/19 Deferred Income	2019/20 Plymouth Share	2019/20 Deferred Income
	£000	£000	£000	£000
Balance outstanding 1 April	34,069	51,121	33,819	48,797
Payments during the year	(250)	(2,324)	(94)	(2,324)
<b>Balance Outstanding 31 March</b>	<b>33,819</b>	<b>48,797</b>	<b>33,725</b>	<b>46,473</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 [15.1](#) (Property, Plant and Equipment) together with a corresponding liability.

### 34 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.

### **34.1 Pension Scheme 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 2019/20, Plymouth City Council paid £3.375m to Teachers' Pensions in respect of teachers' retirement benefits (2018/19: £2.804m). There were no contributions remaining payable at the year-end. In 2019/20 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 [34.2](#).

### **34.2 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 with benefits earned up to 31 March 14 being linked to final salary. Benefits earned after 31 March 14 are based on Career Average Revalued Earnings (CARE). 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.

As a result of the High Court's recent Lloyds ruling on the equalisation of Guaranteed Minimum Pension (GMP), a number of pension schemes have made adjustments to accounting disclosures. Barnett Waddingham (Council actuaries) have made the valuation assumption that they do not need to make any adjustments to the value placed on the liabilities as a result of this ruling.

The McCloud/Sargeant cases relate to age discrimination within the Judicial and Fire Pension Schemes respectively. On the 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service pension schemes, including LGPS. The Scheme Advisory Board with consent from MHCLG commissioned the Government Actuary Department (GAD) to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities. This followed a CIPFA briefing note which said that local authorities should consider the materiality of the impact. The estimated cost of the impact of the McCloud/Sargeant judgement is calculated at £6.231m. This figure has been included within the past service cost in the statement of profit or loss.

### **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.

OFFICIAL

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 CIES and the General Fund Balance via the MiRS during the year:

Comprehensive Income and Expenditure Statement	2018/19	2019/20
	£000	£000
<b>Cost of Services</b>		
Service cost comprising:		
current service cost	27,343	28,668
past service cost	296	6,810
(gain)/loss from settlements	(7,690)	634
<b>Financing and Investment Income and Expenditure</b>		
Net interest expense	13,774	11,867
<b>Other Operating Expenditure</b>		
Administration expenses	448	515
<b>Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>	<b>34,171</b>	<b>48,494</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
Re-measurement of the net defined benefit liability comprising:		
return on plan assets (excluding the amount included in the net interest expense)	(22,912)	78,635
actuarial gains and losses arising on changes in demographic assumptions	(70,450)	(15,541)
actuarial gains and losses arising on changes in financial assumptions	57,376	(112,356)
experience gain/(loss) on defined benefit obligation	0	(12,336)
other	0	(4,264)
<b>Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(1,815)</b>	<b>(17,368)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefit in accordance with the Code	(34,171)	(48,494)
<b>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</b>		
employers' contribution payable to the scheme	19,495	85,278
retirement benefits payable to pensioners	3,254	3,231
adjustment re: net increase/(decrease) per LGR pension liability	1,128	1,175

### 34.3 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)	2018/19	2019/20
	£000	£000
<b>Opening Balance at 1 April</b>	<b>(1,245,445)</b>	<b>(1,250,004)</b>
Current service cost	(27,343)	(28,668)
Interest cost	(31,088)	(29,652)
Contributions by scheme participants	(5,326)	(5,589)
Re-measurement (gain) and losses:		
actuarial gains/losses arising from changes in demographic assumptions	70,450	15,541
actuarial gains/losses arising from changes in financial assumptions	(57,376)	112,356
experience loss/(gain) on defined benefit obligation	0	12,336
Past service costs, including curtailments	(296)	(6,810)
Liabilities assumed/(extinguished) on settlements	11,567	(1,518)
Benefits paid	32,783	34,672
Unfunded pension payments	2,070	2,082
<b>Closing Present Value of Liabilities</b>	<b>(1,250,004)</b>	<b>(1,145,254)</b>

Reconciliation of the Movement in the Fair Value of Scheme (Plan) Assets	2018/19	2019/20
	£000	£000
<b>Opening Fair Value of Scheme Assets</b>	<b>687,702</b>	<b>713,571</b>
Interest income	17,314	17,785
Re-measurement gain/(loss):		
the return on plan assets, excluding the amount included in the net interest expense	22,912	(78,635)
other actuarial gains/(losses)	0	4,264
Administration expenses	(448)	(515)
Contributions from employer	19,495	85,278
Contributions from employees into the scheme	5,326	5,589
Benefits paid	(34,853)	(36,754)
Settlement prices received/(paid)	(3,877)	884
<b>Closing Present Value of Assets</b>	<b>713,571</b>	<b>711,467</b>
<b>Closing Balance at 31 March</b>	<b>(536,433)</b>	<b>(433,787)</b>

### 34.4 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 £433.8m 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 2021 is £12.595m.



### 34.5 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 2020.

Basis for Estimating Assets and Liabilities	2018/19	2019/20
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	22.4	22.9
women	24.4	24.1
Longevity at 65 for future pensioners:		
men	24.1	24.3
women	26.2	25.5
Rate of inflation (CPI)	2.4%	1.9%
Rate of increase in salaries	3.9%	2.9%
Rate of increase in pensions	2.4%	1.9%
Rate for discounting scheme liabilities	2.4%	2.4%

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)	1,102,821	1,145,254	1,189,416
Rate of increase in salaries (increase or decrease by 0.1%)	1,143,637	1,145,254	1,146,885
Rate of increase in pensions (increase or decrease by 0.1%)	1,124,505	1,145,254	1,166,413
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	1,167,965	1,145,254	1,123,007

### 34.6 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	2018/19	2019/20
	%	%
Equities	73	69
Gilts	3	4
Property	13	13
Cash	2	1
Other investments	9	13
<b>Total</b>	<b>100</b>	<b>100</b>

### 34.7 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:

Pension Assets and Liabilities Recognised in the Balance Sheet	2018/19	2019/20
	£000	£000
Present value of the defined benefit obligation	1,211,830	1,110,182
Fair value of plan assets	(713,571)	(711,467)
<b>Net Liability</b>	<b>498,259</b>	<b>398,715</b>
Other movements in the liability	38,174	35,072
<b>Net Liability Arising from Defined Benefit Obligation</b>	<b>536,433</b>	<b>433,787</b>

### PENSION INFORMATION FOR TAMAR BRIDGE AND TORPOINT FERRY JOINT COMMITTEE (TBTF)

#### 34.8 Transactions in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement (TBTF)

Comprehensive Income and Expenditure Statement	2018/19	2019/20
	£000	£000
<b>Cost of Services</b>		
Service cost	618	740
<b>Financing and Investment Income and Expenditure</b>		
Net interest expense	102	113
<b>Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>	<b>720</b>	<b>853</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
Re-measurement of the net defined benefit liability comprising:		
return on plan assets (excluding the amount included in the net interest expense)	(389)	680
actuarial gains and losses arising on changes in demographic assumptions	0	(522)
actuarial gains and losses arising on changes in financial assumptions	746	(1,155)
experience gain/(loss) on defined benefit obligation	(10)	(579)
<b>Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>1,067</b>	<b>(723)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefit in accordance with the Code	(720)	(854)
<b>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</b>		
Employers' contribution payable to the scheme	383	404

### 34.9 Assets and Liabilities in Relation to Post-Employment Benefits (TBTF)

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2018/19	2019/20
	£000	£000
<b>Opening Balance at 1 April</b>	<b>(12,476)</b>	<b>(13,946)</b>
Current service cost	(618)	(700)
Past service cost	0	(40)
Interest cost	(330)	(342)
Contributions from scheme participants	(106)	(109)
Re-measurement (gain) and losses:		
actuarial gains/losses arising from changes in demographic assumptions	0	521
actuarial gains/losses arising from changes in financial assumptions	(747)	1,155
experience loss/(gain) on defined benefit obligation	10	579
Benefits paid	321	354
<b>Closing Present Value of Liabilities</b>	<b>(13,946)</b>	<b>(12,528)</b>

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	2018/19	2019/20
	£000	£000
<b>Opening fair value of scheme assets</b>	<b>8,698</b>	<b>9,483</b>
Interest income	228	229
Re-measurement gain/(loss):		
the return on plan assets, excluding the amount included in the net interest expense	389	(680)
Contributions from employer	383	404
Contributions from employees into the scheme	106	109
Benefits paid	(321)	(354)
<b>Closing Fair Value of Scheme Assets</b>	<b>9,483</b>	<b>9,191</b>
<b>Closing Balance at 31 March</b>	<b>(4,463)</b>	<b>(3,337)</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 £3.337m 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 2021 is £0.818m.

### 34.10 Scheme History (TBTF)

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 2020.

### 34.11 Basis for Estimating Assets and Liabilities (TBTF)

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 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 2020.

Basis for Estimating Assets and Liabilities	2018/19	2019/20
Mortality assumptions:		
Longevity at 65 for current pensioners:		
men	22.1	21.4
women	24.5	23.6
Longevity at 65 for future pensioners:		
men	24.0	22.3
women	26.0	25.1
Rate of increase in salaries	2.5%	1.9%
Rate of increase in pensions	2.4%	1.9%
Rate for discounting scheme liabilities	2.6%	2.3%

## 35 Contingent Assets and Liabilities

### 35.1 Contingent Assets

The Council has the following contingent assets to report:

#### Plymouth Airport

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

### 35.2 Contingent Liabilities

The Council has the following contingent liabilities to report.

#### Plymouth Community Homes

As part of the stock transfer negotiations the Council was required to provide a number of warranties to the funders of Plymouth Community Homes. These included 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.

## COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2020

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.

2018/19				Note	2019/20		
Business Rates	Council Tax	Total			Business Rates	Council Tax	Total
£000	£000	£000	Income		£000	£000	£000
0	(128,343)	(128,343)	Council tax receivable	<u>1</u>	0	(136,264)	(136,264)
(81,900)	0	(81,900)	Business rates receivable	<u>2</u>	(89,155)	0	(89,155)
<b>(81,900)</b>	<b>(128,343)</b>	<b>(210,243)</b>			<b>(89,155)</b>	<b>(136,264)</b>	<b>(225,419)</b>
			<b>Expenditure</b>				
			<b>Apportionment of Previous Year's Surplus/ (Deficit)</b>				
(1,497)	0	(1,497)	Central Government		(6,075)	0	(6,075)
(1,467)	618	(849)	Plymouth City Council		(8,985)	1,655	(7,330)
0	78	78	Devon and Cornwall Police and Crime Commissioner		0	212	212
(30)	36	6	Devon and Somerset Fire and Rescue Service		(152)	95	(57)
<b>(2,994)</b>	<b>732</b>	<b>(2,262)</b>			<b>(15,212)</b>	<b>1,962</b>	<b>(13,250)</b>
			<b>Precepts, Demands and Shares</b>				
0	0	0	Central Government		44,993	0	44,993
87,741	105,767	193,508	Plymouth City Council		44,093	110,807	154,900
0	13,543	13,543	Devon and Cornwall Police and Crime Commissioner		0	15,533	15,533
886	6,043	6,929	Devon and Somerset Fire and Rescue Service		900	6,331	7,231
<b>88,627</b>	<b>125,353</b>	<b>213,980</b>			<b>89,986</b>	<b>132,671</b>	<b>222,657</b>
			<b>Charges to the Collection Fund</b>				
228	0	228	Renewable Energy Disregard		218	0	218
294	398	692	Write offs of uncollectable amounts		593	714	1,307
(1)	978	977	Increase/(Decrease) in Bad Debt Provision		111	1,071	1,182
(5,571)	0	(5,571)	Increase/(Decrease) in Provision for Appeals		1,300	0	1,300
317	0	317	Cost of collection allowance		314	0	314
<b>(4,733)</b>	<b>1,376</b>	<b>(3,357)</b>			<b>2,536</b>	<b>1,785</b>	<b>4,321</b>
<b>(1,000)</b>	<b>(882)</b>	<b>(1,882)</b>	<b>(Surplus)/Deficit for the Year</b>		<b>(11,845)</b>	<b>154</b>	<b>(11,691)</b>
			<b>Collection Fund Balance</b>				
15,143	(2,016)	13,127	Balance as at 1 April		14,143	(2,898)	11,245
(1,000)	(882)	(1,882)	(Surplus)/Deficit for the year (as above)		(11,845)	154	(11,691)
<b>14,143</b>	<b>(2,898)</b>	<b>11,245</b>	<b>Balance as at 31 March</b>		<b>2,298</b>	<b>(2,744)</b>	<b>(446)</b>
			Allocated to:				
6,075	0	6,075	Central Government		1,684	0	1,684
7,927	(2,437)	5,490	Plymouth City Council		591	(2,292)	(1,701)
0	(322)	(322)	Devon and Cornwall Police and Crime Commissioner		0	(322)	(322)
141	(139)	2	Devon and Somerset Fire and Rescue Service		23	(130)	(107)
<b>14,143</b>	<b>(2,898)</b>	<b>11,245</b>	<b>Total Allocated</b>		<b>2,298</b>	<b>(2,744)</b>	<b>(446)</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: 73,172 in 2019/20 (2018/19: 71,932).

The basic amount of Council Tax for a Band D property (2019/20: £1,813.14) is multiplied by the proportion specified for the particular band to give an individual amount due. The calculation of the Council Tax Base is shown in the following table:

Band	No of Properties Before Discounts	No of Properties After Discounts	Band D Equivalents	Estimated Collection Rates	Adjusted Band D Equivalents
A	44,602	29,646	19,753	98.0%	19,358
B	30,982	25,330	19,701	98.0%	19,307
C	21,831	19,522	17,353	98.0%	17,006
D	9,037	8,321	8,321	98.0%	8,155
E	4,707	4,451	5,441	98.0%	5,332
F	1,716	1,630	2,355	98.0%	2,308
G	542	510	851	98.0%	834
H	26	19	37	98.0%	36
	<b>113,443</b>	<b>89,429</b>	<b>73,812</b>		<b>72,336</b>
Adjustment for MOD Properties					836
<b>Tax Base Totals</b>			<b>73,812</b>		<b>73,172</b>

The Council Tax Base was calculated at the time the 2019/20 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 £132.671m (£1,813.14 x 73,172). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £136,264m (2018/19: £128.343m).

### 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 50.4p in 2019/20 (2018/19: 49.3p).

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 2019/20 were estimated before the start of the financial year as £44.937m to Central Government, £44.093m to DSFRA and £0.9m to Plymouth City Council. These



sums have been paid during 2019/20 and charged to the Collection Fund in year and include the previous year's deficit.

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 2019/20 Plymouth had a baseline amount of £57.4m and received a tariff of £14.598m which was charged 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 £53.095m. As our adjusted retained income is above this level no safety net payment was due to Plymouth for 2019/20.

Section 31 Grant funding for Business Rate reliefs awarded by Central Government in 2019/20 was £6.074m.

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 2020 the Council included a provision of £1.889m.

For 2019/20, the total non-domestic rateable value at the end of the year was £230.8m (2018/19: £229.355m).

The total income from ratepayers in 2019/20 was £89.155m (2018/19: £81.900m).

This sum included £1.524m 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 note [2](#) above, the administration of NDR is governed by the Business Rate Retention 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.