

**2020/21 DRAFT STATEMENT OF ACCOUNTS**



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**CONTENTS**

Narrative Report from the Service Director for Finance and Section 151 Officer..... 4

Statement of Responsibilities for the Statement of Accounts .....25

Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2021 .....26

Movement in Reserves Statement for the Year ended 31 March 2021 .....27

Balance Sheet as at 31 March 2021 .....28

Cash Flow Statement .....29

Notes to the Financial Statements .....30

Collection Fund for the Year Ended 31 March 2021 ..... 108

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

### **INTRODUCTION**

I am pleased to introduce our Annual Narrative Report and Statement of Accounts for 2020/21. The Narrative Report provides me with an opportunity to set the financial scene and to highlight the challenges currently being managed 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 2020/21, but also to provide a summary of Plymouth City Council's financial affairs for 2020/21.



Plymouth City Council is a large and diverse organisation and the accounts contained in this document are by their nature both technical and complex, so this narrative aims to explain some of the statements and provides a summary of the Council's financial performance for 2020/21 and its financial prospects. Where necessary, estimates and judgements have been made in preparing these accounts which comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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. The Council, through strong financial management, was able to deliver a balanced budget in, what has been, probably the most challenging year the Council has ever faced.

The reported balanced revenue outturn position for 2020/21 needs to be seen in the context of the financial challenges the Council faced during the year. The Council successfully reprioritised staff and resources to meet community and business need, supporting the vulnerable and working with partners.

It is important to note that the deadlines for the production of the Statement of Accounts for 2020/21 have been changed. The draft accounts were submitted for audit by 31 July 2021 rather than 31 May 2021 and the timeline for completion of the annual audit is 30 September 2021 rather than the 31 July 2021.

The Council will submit the draft Statement of Accounts to the Audit Committee on the 20 September 2021 to allow Members the opportunity to review them before they are asked to formally approve them.

The Council are working with their external auditors – Grant Thornton, to resolve an outstanding technical issue relating to the Statement of Accounts for 2019/20. Once this issue has been resolved to the satisfaction of the Council and Grant Thornton, the Council may have to adjust the Statement of Accounts for 2020/21.

Brendan Arnold

Service Director for Finance and Section 151 Officer

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

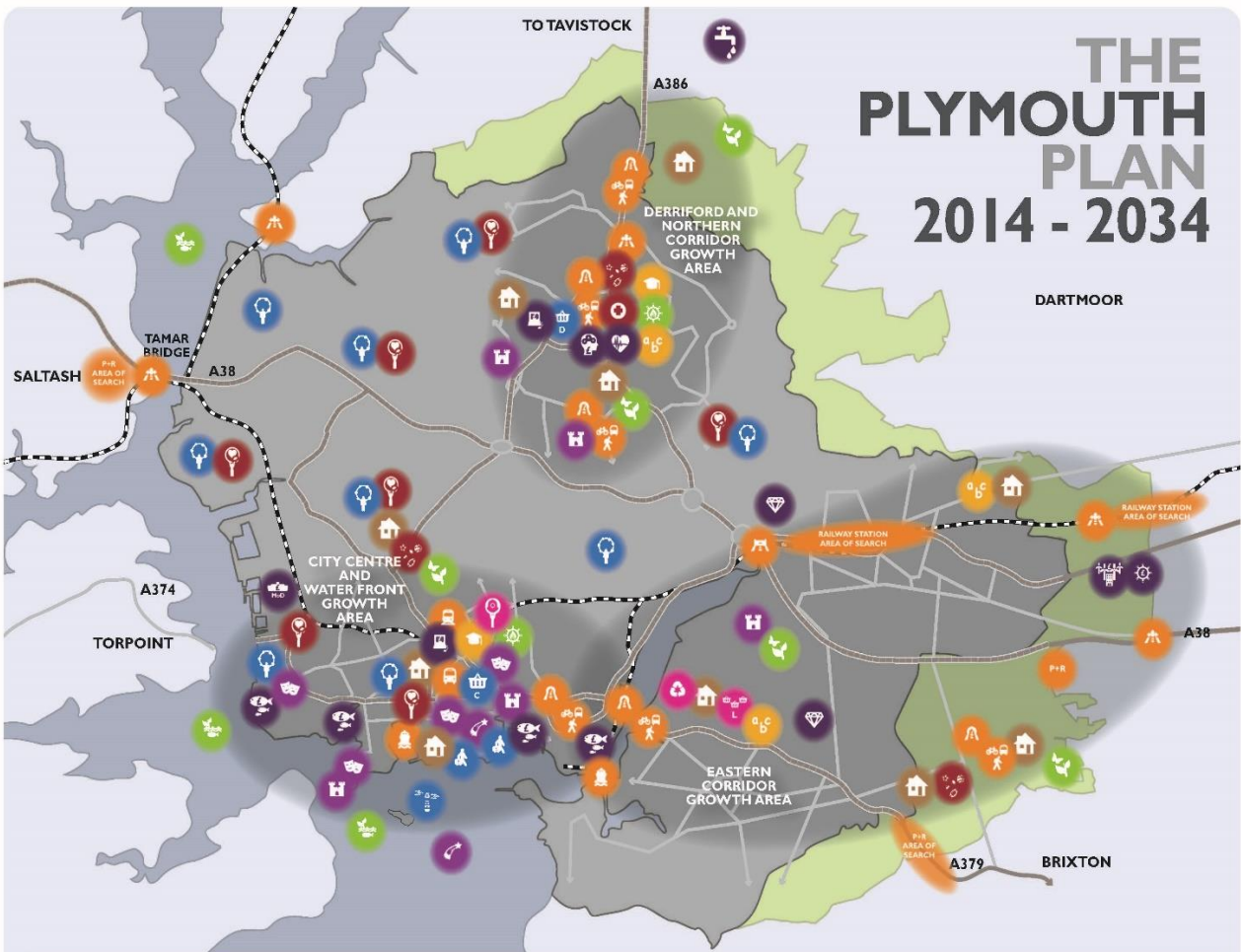
Plymouth is internationally renowned as the UK's premier marine city, and famous for its waterfront, maritime heritage and culture.

## HOW WILL WE KNOW WE'RE SUCCESSFUL?

|   |   |   |  |
|---|---|---|--|
| Plymouth is recognised as a <b>key regional economic driver</b>                                 | People get the <b>best start to life</b> , enjoy a better quality of life and increased life expectancy | Plymouth's population has grown to more than <b>300,000</b>                                   | Plymouth offers a diverse <b>cultural experience</b> with a major events programme                 |
| Plymouth has <b>high quality strategic</b> services and facilities                              | More people are taking care of themselves or <b>finding care</b> within their community                 | Plymouth continues to be recognised as a <b>leading Green City</b>                            | Plymouth is internationally renowned as a leading UK <b>tourist destination</b>                    |
| The quality and resilience of Plymouth's <b>transport and digital connectivity</b> has improved | More residents are contributing to and <b>involved in their community</b>                               | Plymouth has more vibrant, productive and <b>innovative businesses</b>                        | Plymouth is recognised internationally for <b>marine science</b> and high technology manufacturing |
| Plymouth's strategic <b>defence role</b> has been safeguarded and strengthened                  | There is <b>good quality health</b> and social care for people who need it                              | People have the skills to be <b>school ready and work ready</b> to meet the needs of the city | Plymouth has a reputation for <b>world class universities</b> and research institutions            |
| Plymouth's stunning setting and <b>natural assets</b> have been enhanced                        | Plymouth has good quality neighbourhoods where people feel <b>safe and happy</b>                        | Plymouth has the right environment for <b>growth and investment</b>                           | Plymouth has a reputation as a <b>welcoming and multicultural city</b> with diverse communities    |

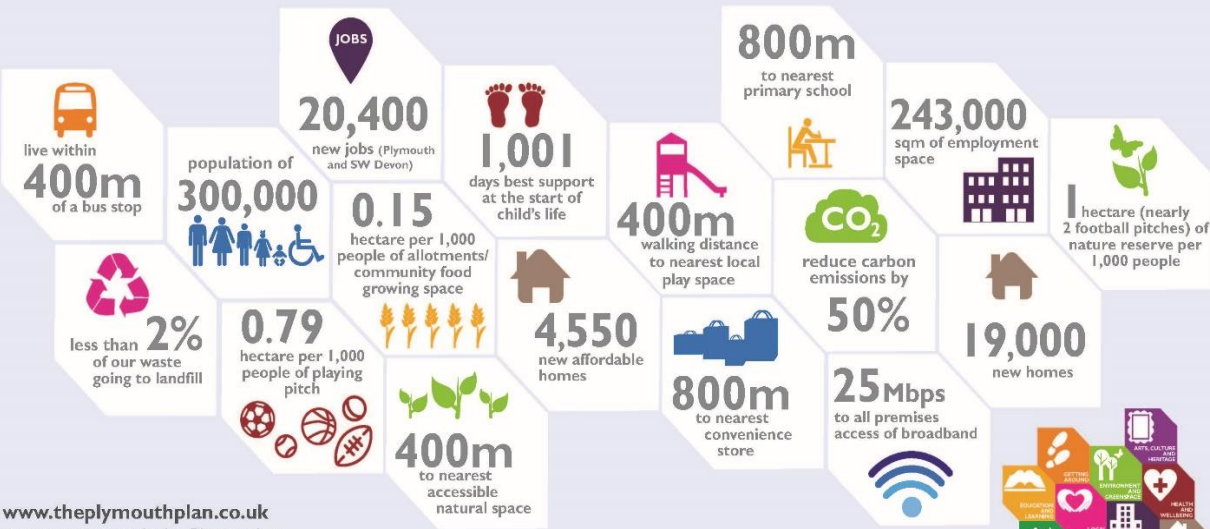
## WHAT PRINCIPLES WILL GUIDE US?





| KEY |  |  |  |  |  |
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[www.theplymouthplan.co.uk](http://www.theplymouthplan.co.uk)  
 in association with the Plymouth & South West Devon Joint Local Plan  
[www.plymswdevonplan.co.uk](http://www.plymswdevonplan.co.uk)



# 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.

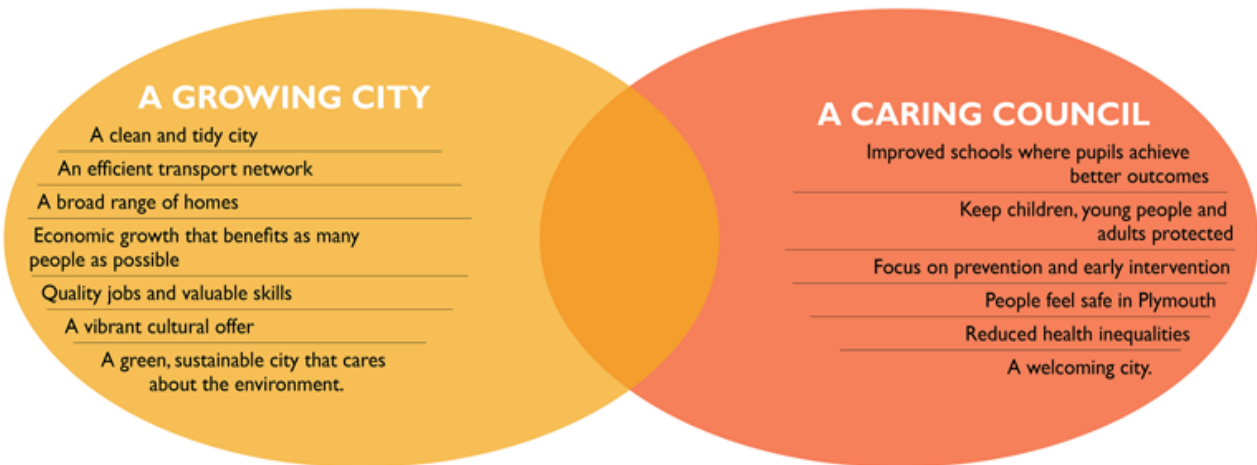
**WE ARE FAIR**

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



### 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.



[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 2020/21 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 15th 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 outbreak of the COVID-19 pandemic has been an exceptional challenge for everyone and the Council is no different. Staff have worked tirelessly to support the City of Plymouth in its response to COVID-19 and maintain services in these difficult times. When the outbreak started in March 2020, our Transformation resources responded well with the roll-out of Member's devices, staff devices, the virtualisation of the Contact Centre and the speedy release of Microsoft Teams to ensure that Members and staff were well equipped to transition from office based to home workers. We continued to support the most vulnerable of Plymouth's residents through the setting up of Caring for Plymouth, a partnership with Livewell Southwest and a large number of voluntary and community sector organisations had a considerable impact on the city and the Council. The outbreak of COVID-19 brought about an amazing citizen response with 800 people registering to be part of the new 'Plymouth Good Neighbour Scheme', which was set up to respond to needs arising in the community to support individuals and businesses.

The Council has supported businesses throughout the pandemic through the administration of various grant schemes designed to help those impacted by the local restrictions and periods of lockdown. In 2020/21 the Council paid out over £77m to local businesses. Businesses were also supported by Licensing and Public Protection staff who were on hand to provide advice and guidance on how to respond during the Pandemic.

Schools were supported by the Education, Participation and Skills department, providing essential information for schools. This has meant that Plymouth schools were well-placed to provide the best possible education to the young people of Plymouth.

The household waste and recycling tonnages increased as people spent more time at home and our refuse collections have continued throughout the pandemic. Our street cleansing teams have also worked hard to keep Plymouth tidy with as little disruption as possible.

There have been many challenges faced by the city. Organisations, including the Council, have faced staff shortages due to self-isolation or shielding which has impacted front-line services. The Council have also had to change working practices to ensure the safety of staff and customers, for example by holding virtual visits with some of our most vulnerable children and clients.

### **Mayflower 400 and 'The Box'**

The Box is Plymouth's new £46m cultural destination proudly led by Plymouth City Council. With funding secured from the 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 finally took place on 24 September 2020, four months after the planned pre COVID-19 launch date. It should be considered as one of the most significant cultural initiatives 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. However, the three day preview event for Plymothians welcomed 2,285 guests (the maximum number due to social distancing) and in the first week welcomed a further 4,475 visitors. Positive media coverage for the city has reached 60.43m people.

### **Transforming Service Delivery**

In April 2020 we moved into the seventh year of our successful transformation journey. This has enabled Plymouth City Council to deliver over £108m of budget savings and efficiencies in the last seven 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.'*

'The Way We Work' programme has fundamentally changed in response to the COVID-19 pandemic. The Council's ability to change at pace has enabled the programme to be re-prioritised into three key projects to be more flexible and responsive. The revised programme will work in a more agile way and covers three work streams; Accommodation, Business Support Review and Digital.

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 2020/21 we have:

- ✓ Through the 'Caring for Plymouth' Support Hub, supported in excess of 5,655 people delivering 950 food packages and more than 800 prescriptions were collected;
- ✓ Accommodated 159 rough sleepers during the early stages of the pandemic;
- ✓ Delivered 800 laptops to vulnerable children;
- ✓ Recruited 16 new fostering households to support our looked after children;
- ✓ Maintained our Virtual Youth Parliament and the work of our Youth Offending Team supported ongoing reparation work that has been nationally recognised;
- ✓ Provided 47,000 free school meals per week;
- ✓ Despite an increased number of applications for Housing Benefit we have maintained an average turnaround time between application and payment comfortably below the target of 18 days;
- ✓ Implemented and managed the Test & Trace Support Scheme;
- ✓ Supported 7,337 local businesses with the administration of £77.6m business grants;
- ✓ From April to October, the libraries team engaged with 22,000 people;
- ✓ Recruited 800 people to the Plymouth Good Neighbours Scheme;
- ✓ Provided 215 volunteers to our voluntary sector partners;
- ✓ Distributed 1.7m items of Personal Protective Equipment (PPE);
- ✓ Undertaken more than 100 investigations into reports of businesses trading illegally;
- ✓ Out of 30,000 scheduled daily collections of waste and recycling, continued to collect more than 99% on their scheduled day.

## 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 £8.649m and the Devon economy has benefitted overall by £48.959m 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 2020 |                  |                  |                  |                  |                          |                  |                  |                   |
|--|------------------|------------------|------------------|------------------|--------------------------|------------------|------------------|-------------------|
| Business Rate Retention Scheme                 | 2014/15<br>50%   | 2015/16<br>50%   | 2016/17<br>50%   | 2017/18<br>50%   | 2018/19<br>100%<br>Pilot | 2019/20<br>50%   | 2020/21<br>50%   | Total             |
|  | £                | £                | £                | £                | £                        | £                |                  | £                 |
| Devon  | 755,736          | 657,061          | 856,728          | 1,383,502        | 15,306,012               | 2,228,157        | 2,145,986        | 23,333,182        |
| East Devon                                     | 105,113          | 95,374           | 124,356          | 204,928          | 1,669,512                | 315,779          | 303,873          | 2,818,935         |
| Exeter   | 235,377          | 214,202          | 279,293          | 443,865          | 961,211                  | 682,088          | 656,335          | 3,472,371         |
| Mid Devon                                      | 55,569           | 50,145           | 65,383           | 107,621          | 195,650                  | 166,760          | 160,490          | 801,618           |
| North Devon                                    | 108,589          | 98,447           | 128,363          | 206,831          | 658,941                  | 319,050          | 307,028          | 1,827,249         |
| South Hams                                     | 102,497          | 0                | 0                | 0                | 460,047                  | 308,947          | 297,284          | 1,168,775         |
| Teignbridge                                    | 107,155          | 96,995           | 126,470          | 205,035          | 480,085                  | 316,768          | 304,841          | 1,637,349         |
| Torrige  | 44,629           | 40,066           | 52,241           | 89,908           | 382,617                  | 139,918          | 134,669          | 884,048           |
| West Devon                                     | 41,159           | 37,138           | 48,424           | 83,235           | 270,162                  | 128,901          | 124,053          | 733,072           |
| Plymouth                                       | 650,067          | 575,475          | 750,350          | 1,204,222        | 1,727,204                | 1,904,143        | 1,837,986        | 8,649,447         |
| Torbay   | 322,737          | 284,475          | 370,922          | 580,334          | 263,329                  | 922,674          | 888,429          | 3,632,900         |
| <b>Total</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>7,160,974</b> | <b>48,958,946</b> |

### Strategy and Resource Allocation – The Council’s Budget and Medium Term Financial Plan 2020/21 to 2023/24

The Council’s gross revenue budget for 2020/21 was £506.269m, which after adjusting for income equates to a net budget requirement of £193.677m. This was approved by Full Council on the 24 February 2020 and included £21.069m of increased pressures in 2020/21 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 (2021/22 to 2023/24). 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        |                 |
|---|-----------------|----------------|-----------------|-----------------|
|   | 2020/21         | 2021/22        | 2022/23         | 2023/24         |
|   | £m              | £m             | £m              | £m              |
| <b>Revenue Resources Available</b>      | <b>193.677</b>  | <b>195.568</b> | <b>188.622</b>  | <b>193.669</b>  |
| Baseline spend requirement              | 185.482         | 193.677        | 195.568         | 211.627         |
| Plus identified additional costs        | 21.069          | 10.313         | 14.339          | 8.643           |
| <b>Overall Spend Requirement</b>        | <b>206.551</b>  | <b>203.990</b> | <b>209.907</b>  | <b>220.270</b>  |
| <b>Total Funding Gap Before Savings</b> | <b>(12.874)</b> | <b>(8.422)</b> | <b>(21.285)</b> | <b>(26.601)</b> |
| Savings                                 | 7.974           | 7.542          | 2.072           | 0.000           |
| Income generation                       | 0.725           | 0.208          | 0.303           | 0.000           |
| Grant income                            | 4.175           | 0.672          | (4.095)         | 0.000           |
| <b>Total Savings</b>                    | <b>12.874</b>   | <b>8.422</b>   | <b>(1.720)</b>  | <b>0.000</b>    |
| <b>Revised Spending for Year</b>        | <b>193.677</b>  | <b>195.568</b> | <b>211.627</b>  | <b>220.270</b>  |
| <b>Budget Gap</b>                       | <b>0.000</b>    | <b>0.000</b>   | <b>23.005</b>   | <b>26.601</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 2021 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 2022/23 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.

### 2020/21 Revenue Outturn

The Council has balanced its budget, reporting a breakeven position for 2020/21. The overall net spend matches the net budget of £193.677m. The outturn position needs to be considered in the context of a challenging financial climate, made more so with responding to COVID-19. In 2020/21 the Council has managed a £13m savings programme in addition to increasing service demands and customer expectations, this is a notable achievement.

Across the Council, management actions to reduce the potential of a business as usual overspend being incurred included a review of all discretionary spend and delayed expenditure wherever possible.

A Council wide Employee Voluntary Release Scheme (EVRS) was actioned during the financial year enabling service areas to realign and implement changes needed to ensure continued efficiency with service delivery. This resulted in £0.5m of salary savings in 2020/21, with a future full year impact of delivering £1.2m.

All directorates, except Corporate Items, came in under budget for their business as usual activity.

The net revenue budget of £193.677m was allocated to council services as follows:

| Directorate                                 | 2020/21<br>Gross<br>Expenditure | 2020/21<br>Gross<br>Income | 2020/21<br>Council<br>Approved<br>Net Budget | 2020/21<br>Outturn | Year End<br>Over/<br>(Under)<br>Spend |
|---|---------------------------------|----------------------------|--|--------------------|---------------------------------------|
|   | £m                              | £m                         | £m   | £m                 | £m                                    |
| Executive Office                            | 6.136                           | (0.490)                    | 5.646  | 5.589              | (0.057)                               |
| Corporate Items                             | 4.170                           | (26.980)                   | (22.810)                                     | (35.783)           | (12.973)                              |
| Finance                                     | 18.017                          | (3.132)                    | 14.885                                       | 11.296             | (3.589)                               |
| Customer and Corporate<br>Services          | 97.694                          | (67.798)                   | 29.896                                       | 31.333             | 1.437                                 |
| People Directorate                          | 276.397                         | (134.308)                  | 142.089                                      | 146.021            | 3.932                                 |
| Office for the Director of Public<br>Health | 19.281                          | (19.710)                   | (0.429)                                      | 1.349              | 1.778                                 |
| Place Directorate                           | 84.574                          | (60.174)                   | 24.400                                       | 33.872             | 9.472                                 |
| <b>Total</b>                                | <b>506.269</b>                  | <b>(312.592)</b>           | <b>193.677</b>                               | <b>193.677</b>     | <b>0.000</b>                          |

### Government Funding for COVID

Throughout 2020/21 the Government has provided significant financial support to the Council, local businesses and City residents to help deal with the impacts of the pandemic. The table below sets out all of the funding received, the body awarding the grant, whether the Council was acting as an agent or as principal and a brief explanation of its purpose.

| Grant Name  | Awarding<br>Body  | PCC Acting<br>as Agent or<br>Principal | Value<br>Received or<br>Accrued in<br>2020/21 | Purpose  |
|---|---|--|---|--|
|   |   |  | £   |  |
| Emergency Funding for Local<br>Government   | Ministry for<br>Homes,<br>Communities<br>& Local<br>Government<br>(MHCLG) | Principal                              | 14,583,040                                    | Un-ringfenced COVID-19 grant   |
| Income Compensation Scheme  | MHCLG   | Principal                              | 7,488,861                                     | To underwrite a proportion of<br>lost income   |
| New Burdens - Local Authority<br>Discretionary Grant Fund (LADGF)   | MHCLG   | Principal                              | 170,000                                       | COVID related new burdens  |
| New Burdens 2 (final for Small<br>Business Grant Fund (SBGF), Retail,<br>Hospitality & Leisure Grant Fund<br>(RHLGF) and LADGF) | MHCLG   | Principal                              | 76,500  | COVID related new burdens  |
| New Burdens - Council Tax<br>Hardship Fund  | MHCLG   | Principal                              | 23,269  | COVID related new burdens  |
| New Burdens - Business Rates Relief   | MHCLG   | Principal                              | 11,700  | COVID related new burdens  |
| Council Tax Hardship Fund   | MHCLG   | Principal                              | 2,574,999                                     | To deliver financial support<br>including reduced Council Tax<br>bills to economically vulnerable<br>residents |
| RHLGF & SBGF  | MHCLG   | Agent                                  | 45,457,650                                    | Grants pass ported to<br>businesses due to closures, etc.  |

| Grant Name   | Awarding Body   | PCC Acting as Agent or Principal | Value Received or Accrued in 2020/21 | Purpose  |
|--|---|----------------------------------|--------------------------------------|--|
|  |   |                                  | £                                    |  |
| Discretionary Business Grant   | MHCLG   | Principal                        | 2,270,750                            | Grants to support businesses severely impacted by Coronavirus restrictions   |
| Test and Trace Support Payments  | MHCLG   | Agent                            | 526,500                              | Financial support to people having to test, trace and isolate  |
| Test & Trace Support Payment Admin Grant                                       | MHCLG   | Principal                        | 97,070                               | COVID related new burdens  |
| Local Restrictions Support Grant (LRSB), Closed                                | Department for Business Enterprise & Industrial Strategy (BEIS) | Agent                            | 4,009,122                            | Grants pass ported to businesses due to closures, etc.   |
| Additional Restrictions Grant (ARG)  | BEIS  | Principal                        | 7,570,248                            | Grants to support businesses severely impacted by Coronavirus restrictions   |
| LRSB - Christmas Support Package   | BEIS  | Agent                            | 108,800                              | Grants pass ported to businesses due to closures etc.  |
| LRSB (Closed) post 2 December  | BEIS  | Agent                            | 291,260                              | Grants pass ported to businesses due to closures, etc.   |
| LRSB (Open)  | BEIS  | Agent                            | 1,079,936                            | Grants pass ported to businesses due to closures, etc.   |
| LRSB (Sector)  | BEIS  | Agent                            | 0                                    | Grants pass ported to businesses due to closures, etc.   |
| LRSB (Closed Business Lockdown Payment (CBLP))                                 | BEIS  | Agent                            | 12,024,000                           | Grants pass ported to businesses due to closures, etc.   |
| LRSB closed 5/1/21 onwards   | BEIS  | Agent                            | 6,013,683                            | Grants pass ported to businesses due to closures, etc.   |
| LRSB Closed Addendum 16 February   | BEIS  | Agent                            | 6,300,049                            | Grants pass ported to businesses due to closures, etc.   |
| Infection Control Fund   | Department of Health and Social Care (DHSC)                     | Agent                            | 5,865,814                            | Pass ported onto care providers  |
| Test and Trace Support Grant   | DHSC  | Principal                        | 1,402,003                            | Prevent, contain and manage outbreaks  |
| European Regional Development Fund (ERDF) - Reopening High Streets Safely Fund | MHCLG   | Principal                        | 0                                    | Grant to support additional measures to create and promote a safe environment for local trade and tourism as the high streets reopen |
| COVID Emergency Assistance Grant   | Department for the Environment Food & Rural Affairs (DEFRA)     | Principal                        | 343,180                              | Support people who are struggling to afford food and other essentials due to COVID-19  |
| COVID 19 Bus Services Support Grant (CBSSG)                                    | Department for Transport (DfT)                                  | Principal                        | 304,004                              | Support to operators in recognition of the impacts of COVID-19   |



| Grant Name  | Awarding Body                        | PCC Acting as Agent or Principal | Value Received or Accrued in 2020/21 | Purpose  |
|---|--------------------------------------|----------------------------------|--------------------------------------|--|
| Compliance and Enforcement Funding                                | MHCLG                                | Principal                        | 154,637                              | To support compliance with COVID restrictions  |
| Contain Outbreak Management Fund                                  | DHSC                                 | Principal                        | 6,047,022                            | Prevent, contain and manage outbreaks  |
| Additional funding for the Clinically Extremely Vulnerable (CEV)  | MHCLG                                | Principal                        | 364,417                              |  |
| COVID Winter Grant Scheme   | Department for Work & Pensions (DWP) | Principal                        | 922,397                              | Support for vulnerable households  |
| Workforce Capacity Fund   | DHSC                                 | Principal                        | 642,052                              | Maintain safe staffing levels over the winter period and to continue working with the care sector to ensure there is sufficient workforce capacity across services |
| Rapid Testing Fund  | DHSC                                 | Agent                            | 780,458                              | Maintain safe staffing levels over the winter period and to continue working with the care sector to ensure there is sufficient workforce capacity across services |
| Community Testing   | DHSC                                 | Principal                        | 120,960                              |  |
| Business Improvement Districts (BIDs) Support Funding             | MHCLG                                | Agent                            | 39,495                               | Grants pass ported to BIDs   |
| Additional Dedicated Home to School and College Transport (COVID) | Department for Education (DfE)       | Principal                        | 679,994                              | Support socially distanced travel options for the journey to school during COVID-19  |
| Travel Demand Management (Schools - COVID)                        | DfT                                  | Principal                        | 150,000                              | Support socially distanced travel options for the journey to school during COVID-19  |
| DfE Wellbeing Grant   | DfE                                  | Principal                        | 33,756                               | Grant support to schools   |
| COVID-19 Schools Fund   | DfE                                  | Principal                        | 167,037                              | Grant must be allocated in full to schools   |
| COVID Catch Up Premium (Schools)                                  | Education & Skills Agency            | Principal                        | 331,980                              | Grant must be allocated in full to schools   |
| Next Steps Accommodation programme                                | MHCLG                                | Principal                        | 381,780                              | Grant to support accommodation   |
| COVID Contingency Homelessness                                    | MHCLG                                | Principal                        | 14,250                               | Grant to support homelessness  |
| Council Tax Income Guarantee                                      | MHCLG                                | Principal                        | 3,826,296                            | Forms part of the Collection Fund for accounting purposes  |
| Business Rates Income Guarantee                                   | MHCLG                                | Principal                        | 3,061,209                            | Forms part of the Collection Fund for accounting purposes  |
| <b>Total COVID Related Funding Received</b>                       |                                      |                                  | <b>136,310,178</b>                   |  |

### Working Balance

The Working Balance as at 31 March 2021 is £8.044m. The Working Balance has a recommended minimum set at 5% of the net revenue budget. This minimum requirement has been approved by Council.

## 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 2020/21 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:

- 96.41% of Council Tax collected in year for 2020/21 towards the total collection target of 96.5% (96.44% in 2019/20). This equates to £132.124m. This is below the in-year target, but Council Tax collection was affected by the COVID-19 pandemic, with all forms of recovery action suspended since the start of the first lockdown to prevent adding additional pressure on Plymouth households.
- 98.97% of NDR collected in year for 2020/21 towards the total collection target of 98.00% (98.97% in 2019/20). 1% of NDR collected equates to £0.916m. This reflects the top-up grants received in-lieu of payments by local businesses.
- Average borrowing rate of 1.55% was achieved below target of 2.80% in 2020/21 (1.89% in 2019/20). This equates to a notional £5.189m saving.
- Average investment return of 1.57% was achieved against target of 1.3% in 2020/21 (2.11% in 2019/20). This equates to a £0.572m return.
- VAT partial exemption at 4.43% against a limit of 4.99% in 2020/21 (4.27% in 2019/20).

## Capital

During the year 2020/21 the Council spent £105.741m on capital projects within the city. This is shown by Directorate in the following table. This is within the approved Capital Budget of £778.671m reported to Full Council on 22 February 2021.

| Directorate                              | Latest Forecast December 2020 | Re-Profitting   | Approvals Post December | Variations and Virements | 2020/21 Outturn | Spend Variance |
|--|-------------------------------|-----------------|-------------------------|--------------------------|-----------------|----------------|
|  | £m                            | £m              | £m                      | £m                       | £m              | %              |
| Place Directorate                        | 135.355                       | (48.525)        | 7.164                   | (0.002)                  | 93.992          | 69.4           |
| People Directorate                       | 10.300                        | (6.300)         | 2.411                   | 0.079                    | 6.490           | 63.0           |
| Customer and Corporate Services          | 7.932                         | (6.044)         | 2.721                   | 0.007                    | 4.616           | 58.2           |
| Office for the Director of Public Health | 5.209                         | (4.566)         | 0.000                   | 0.000                    | 0.643           | 12.3           |
| <b>Total Capital Programme</b>           | <b>158.796</b>                | <b>(65.435)</b> | <b>12.296</b>           | <b>0.084</b>             | <b>105.741</b>  | <b>66.6</b>    |

The 2020/21 programme outturn of £105.741m has enabled investment in the city and includes some notable capital schemes and areas of investment, including:

- £1.2m Mayflower 400 Restoration of Elizabethan House;
- £2.8m The Box;
- £3.4m Plymouth Railway Station;

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- £5.2m Oceansgate Phase 2;
- £8.8m Highway maintenance and essential engineering;
- £5.2m Crownhill Court;
- £16.2m Forder Valley Link Road;
- £1.5m Disabled Facilities Grants;
- £8.9m Strategic and Sustainable Transport Schemes;
- £3.3m ICT provision, upgrading and creating new capabilities for ICT infrastructure.

### Capital Funding 2021-25

The latest capital programme is summarised as follows:

| Directorate                              | 2020/21 Actual | 2021/22 Forecast | 2022/23 Forecast | 2023/24 Forecast | 2024/25 Forecast | Total          |
|--|----------------|------------------|------------------|------------------|------------------|----------------|
|  | £m             | £m               | £m               | £m               | £m               | £m             |
| Place Directorate                        | 93.992         | 165.858          | 96.835           | 17.026           | 2.649            | 376.360        |
| People Directorate                       | 6.490          | 7.211            | 8.709            | 3.174            | 0.149            | 25.733         |
| Customer and Corporate Services          | 4.616          | 13.695           | 0.000            | 0.000            | 0.000            | 18.311         |
| Office for the Director of Public Health | 0.643          | 12.370           | 0.000            | 0.000            | 0.000            | 13.013         |
| <b>Total</b>                             | <b>105.741</b> | <b>199.134</b>   | <b>105.544</b>   | <b>20.200</b>    | <b>2.798</b>     | <b>433.417</b> |

### Capital Financing 2020/21

The following table shows the final financing of the 2020/21 capital programme:

| Method of Financing                                | Total          |
|--|----------------|
|  | £m             |
| Capital receipts                                   | 1.843          |
| Grants (Government, HLF, LEP, Environment Agency)  | 43.724         |
| Contributions, S106 & CIL (neighbourhood elements) | 1.768          |
| Borrowing:   |                |
| Corporately funded                                 | 21.845         |
| Service borrowing (revenue budget funded)          | 36.561         |
| <b>Capital Programme Financings 2020/21</b>        | <b>105.741</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 2021 were £41.859m 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 2021 the Council held £464.242m short-term borrowing and £135.527m 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<br>31 March 2020 | Balance as at<br>31 March 2021 |
|---|--------------------------------|--------------------------------|
|   | £000                           | £000                           |
| Non-current assets - principally land, buildings and equipment used to deliver council services | 1,206,289                      | 1,278,951                      |
| Net current assets - current assets less current liabilities                                    | (467,605)                      | (516,107)                      |
| Long term liabilities and provisions (including pensions) see points 1 and 2                    | (820,224)                      | (943,556)                      |
| <b>Net liabilities</b>  | <b>(81,540)</b>                | <b>(180,712)</b>               |
| <b>Represented by:</b>  |                                |                                |
| Usable reserves (see point 3)   | 59,670                         | 114,263                        |
| Unusable reserves   | (141,210)                      | (294,975)                      |
| <b>Total reserves</b>   | <b>(81,540)</b>                | <b>(180,712)</b>               |

- The Council's largest balance sheet liability is represented by £588.890m 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 2020/21 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 £72m in the Local Government Pension Scheme (LGPS). This 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 £8.667m 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 £7.272m due to the COVID-19 pandemic and the uncertainty over business rates (£1.889m at 31 March 2020).
- Usable reserves are currently split between those earmarked for capital investment and those allocated to revenue support and service development. Usable reserves also include £3.434m held on behalf of schools and £8.044m general fund working balances to cover short term cash flow movements, budget overspends and other unforeseen contingencies. The working balance represents 4.2% 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 can be found in the [Notes to the Financial Statements](#) section of the Statement of Accounts.

## FINANCIAL MANAGEMENT AND IDENTIFYING RISKS

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:

- 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 (2020/21) and the modelling for future years budgets were prepared before the impact of the COVID-19 pandemic and they will be revisited in 2021/22 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 2020/21-21/22 Medium Term Financial Plan, impact of COVID-19 and Brexit | 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<br>Workforce modernisation Programme<br>Regular monitoring |
| Failure to meet statutory duties due to growing volume and complexity of demand for children's social care services                                  | Spending Money Wisely  | Hidden harm consequences of infection control and safe systems of working   | A range of operational interventions in place to monitor, manage and reduce expenditure. All delivery plans have been reviewed and progress monitored  |
| <b>Compliance, Regulation &amp; Safeguarding</b>   |                        |   |  |
| Insufficient Pupil Attainment across Secondary Cohort  | A Caring Council       | Impact on quality of life outcomes for pupils   | Ofsted inspection outcome tracking, Plymouth Education Board (PEB)<br>Established Task Group   |

| Risk  | Link to Corporate Plan | Impact   | Mitigation  |
|---|------------------------|--|---|
| <b>Development &amp; Regeneration</b>   |                        |  |   |
| Insufficient Economic Performance to Sustain the City's Economy due to Recession & Lockdown | A Growing City         | High number of business failures, impact on Council bad debt secondary redundancy wave | Cross department team created to harness resources across the city and to look at recovery and economic shock. Resurgam Plan for recovery |

## LOOKING FORWARD

The Medium Term Financial Plan is updated quarterly and the budget report presented to Cabinet on 24 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 2020/21

The Statement of Accounts sets out the Council's income and expenditure for the year and its financial position as at 31 March 2021. The format and content of the statements is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA), Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. This is based on International Financial Reporting Standards (IFRS) adapted for use in a public sector context. Accounting policies are applied in accordance with these standards. The Statement of Accounts comprises:

|   |   |
|---|---|
| Statement of Responsibilities for the Statement of Accounts | This sets out the respective responsibilities of the Council 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 Council'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 for the year, including that for Plymouth's maintained schools. The top half of the statement provides an analysis by service area, on the same basis that these services are managed by the Council. The bottom half of the statement deals with 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 a 'snapshot' of the Council's financial position at year end. The top half of the Balance Sheet sets out the Council's assets and liabilities, including provision for known liabilities from past events that can be reliably estimated. The lower half of the Balance Sheet shows the Council's reserves. Usable reserves reflect actual cash amounts and unusable reserves result from accounting adjustments required by statute or accounting standards and cannot be spent. |
| 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 and adjustments (e.g. valuation reserves showing the change in book value of assets and liabilities).   |
| 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 activities, investing activities (including capital spend and disposals) and financing activities (such as repayment of borrowing and other long-term activities).   |
| <b>Supplementary Statements and 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 20 September 2021. This can be found on the Council's website.

## CONCLUSION

The formal audit of the Draft Statement of Accounts commenced on 2 August 2021, and in line with our statutory duty we made our accounts available for scrutiny by interested members of the public from 2 August to 10 September 2021.

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 September 2021.

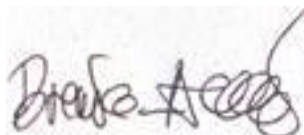
Local Audit and Accountability Act 2014 and Accounts and Audit (England) Regulations 2015:

- 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 020 7728 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 September 2021.

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).



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

Dated: 31/07/2021



## 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;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- 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).

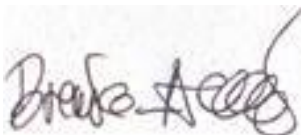
In preparing this statement of accounts, the Service Director for Finance has:

- 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 2021 and of its expenditure and income for the year ended 31 March 2021.



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

Dated: 21/07/2021

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2021**

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.

| 2019/20<br>Gross<br>Expenditure | 2019/20<br>Gross<br>Income | 2019/20<br>Net<br>Expenditure |   | Note                 | 2020/21<br>Gross<br>Expenditure | 2020/21<br>Gross<br>Income | 2020/21<br>Net<br>Expenditure |
|---------------------------------|----------------------------|-------------------------------|---|----------------------|---------------------------------|----------------------------|-------------------------------|
| £000                            | £000                       | £000                          |   |                      | £000                            | £000                       | £000                          |
| 8,140                           | (1,550)                    | 6,590                         | Executive Office  |                      | 6,254                           | (757)                      | 5,497                         |
| 16,571                          | (102,247)                  | (85,676)                      | Corporate Items   |                      | 18,380                          | (62,629)                   | (44,249)                      |
| 17,661                          | (2,848)                    | 14,813                        | Finance   |                      | 4,789                           | (412)                      | 4,377                         |
| 99,714                          | (79,264)                   | 20,450                        | Customer and Corporate Services   |                      | 109,270                         | (74,621)                   | 34,649                        |
| 277,989                         | (127,246)                  | 150,743                       | People Directorate  |                      | 277,775                         | (146,186)                  | 131,589                       |
| 19,754                          | (19,600)                   | 154                           | Public Health   |                      | 23,563                          | (23,272)                   | 291                           |
| 98,040                          | (43,472)                   | 54,568                        | Place Directorate   |                      | 93,588                          | (37,438)                   | 56,150                        |
| <b>537,869</b>                  | <b>(376,227)</b>           | <b>161,642</b>                | <b>(Surplus)/Deficit on Continuing Operations</b>   |                      | <b>533,619</b>                  | <b>(345,315)</b>           | <b>188,304</b>                |
| 1,031                           | (2,062)                    | (1,031)                       | Other Operating Expenditure   | <a href="#">11</a>   | 10,360                          | (1,502)                    | 8,858                         |
| 126,126                         | (38,781)                   | 87,345                        | Financing and Investment Income and Expenditure   | <a href="#">13</a>   | 51,407                          | (24,446)                   | 26,961                        |
| 0                               | (202,239)                  | (202,239)                     | Taxation and Non-specific Grant Income  | <a href="#">14</a>   | 0                               | (210,316)                  | (210,316)                     |
| <b>665,026</b>                  | <b>(619,309)</b>           | <b>45,717</b>                 | <b>(Surplus)/Deficit on Provision of Services</b>   |                      | <b>595,386</b>                  | <b>(581,579)</b>           | <b>13,807</b>                 |
|                                 |                            | (41,709)                      | (Surplus)/deficit on Revaluation of Non-current Assets  | <a href="#">22.1</a> |                                 |                            | (16,740)                      |
|                                 |                            | (49,410)                      | Re-measurement of the Net Defined Benefit Liability (Assets)  | <a href="#">22.4</a> |                                 |                            | 110,712                       |
|                                 |                            | 5,197                         | (Surplus)/deficit from investments in equity instruments designated at fair value through comprehensive income. |                      |                                 |                            | (3,834)                       |
|                                 |                            | 0                             | Hedge recognised (gains)/losses   |                      |                                 |                            | (5,706)                       |
|                                 |                            | (944)                         | Other recognised (gains)/losses   |                      |                                 |                            | 934                           |
|                                 |                            | <b>(86,866)</b>               | <b>Other Comprehensive Income and Expenditure</b>   |                      |                                 |                            | <b>85,366</b>                 |
|                                 |                            | <b>(41,149)</b>               | <b>Total Comprehensive Income and Expenditure</b>   |                      |                                 |                            | <b>99,173</b>                 |

## MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

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 2019   |                    | 8,051                | 24,669                 | 32,720                     | 15,221                   | 9,596                    | 57,535                | (180,226)         | (122,691)                |
| <b>Movement in Reserves 2019/20</b>                                  |                    |                      |                        |                            |                          |                          |                       |                   |                          |
| Total Comprehensive Income and Expenditure                           |                    | (45,717)             | 0                      | (45,717)                   | 0                        | 0                        | (45,717)              | 86,866            | 41,149                   |
| Adjustments between accounting basis and funding under regulations   | <a href="#">10</a> | 45,098               | 0                      | 45,098                     | 1,027                    | 1,726                    | 47,851                | (47,851)          | 0                        |
| <b>Net Increase/(Decrease) Before Transfer to Earmarked Reserves</b> |                    | <b>(619)</b>         | <b>0</b>               | <b>(619)</b>               | <b>1,027</b>             | <b>1,726</b>             | <b>2,134</b>          | <b>39,015</b>     | <b>41,149</b>            |
| Transfer (to)/from reserves  | <a href="#">12</a> | 612                  | (612)                  | 0                          | 0                        | 0                        | 0                     | 0                 | 0                        |
| <b>Net Increase/(Decrease) in 2019/20</b>                            |                    | <b>(7)</b>           | <b>(612)</b>           | <b>(619)</b>               | <b>1,027</b>             | <b>1,726</b>             | <b>2,134</b>          | <b>39,015</b>     | <b>41,149</b>            |
| Balance at 31 March 2020   |                    | 8,044                | 24,057                 | 32,101                     | 16,248                   | 11,322                   | 59,670                | (141,210)         | (81,540)                 |
| <b>Movement in Reserves 2020/21</b>                                  |                    |                      |                        |                            |                          |                          |                       |                   |                          |
| Total Comprehensive Income and Expenditure                           |                    | (13,807)             | 0                      | (13,807)                   | 0                        | 0                        | (13,807)              | (85,365)          | (99,172)                 |
| Adjustments between accounting basis and funding under regulations   | <a href="#">10</a> | 65,164               | 0                      | 65,164                     | (70)                     | 3,306                    | 68,400                | (68,400)          | 0                        |
| <b>Net Increase/(Decrease) Before Transfer to Earmarked Reserves</b> |                    | <b>51,357</b>        | <b>0</b>               | <b>51,357</b>              | <b>(70)</b>              | <b>3,306</b>             | <b>54,593</b>         | <b>(153,765)</b>  | <b>(99,172)</b>          |
| Transfer (to)/from reserves  | <a href="#">12</a> | (51,357)             | 51,357                 | 0                          | 0                        | 0                        | 0                     | 0                 | 0                        |
| <b>Net Increase/(Decrease) in 2020/21</b>                            |                    | <b>0</b>             | <b>51,357</b>          | <b>51,357</b>              | <b>(70)</b>              | <b>3,306</b>             | <b>54,593</b>         | <b>(153,765)</b>  | <b>(99,172)</b>          |
| Balance at 31 March 2021   |                    | 8,044                | 75,414                 | 83,458                     | 16,178                   | 14,628                   | 114,263               | (294,975)         | (180,712)                |

## BALANCE SHEET AS AT 31 MARCH 2021

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 2020    |                                      | Note  | 31 March 2021    |
|------------------|--------------------------------------|---|------------------|
| £000             |                                      |   | £000             |
| 861,111          | Property Plant and Equipment         | <a href="#">15</a>                          | 899,250          |
| 28,095           | Heritage Assets                      | <a href="#">16</a>                          | 30,063           |
| 254,440          | Investment Property                  | <a href="#">17</a>                          | 275,442          |
| 15               | Intangible Assets                    |   | 1                |
| 51,037           | Long-term Investments                | <a href="#">18.1</a>                        | 60,655           |
| 11,591           | Long-term Debtors                    | <a href="#">19.2</a>                        | 13,540           |
| <b>1,206,289</b> | <b>Non-current Assets</b>            |   | <b>1,278,951</b> |
| 12,115           | Short-term Investments               | <a href="#">18.1</a>                        | 0                |
| 680              | Inventories                          |   | 526              |
| 51,257           | Short-term Debtors                   | <a href="#">19.1</a>                        | 96,218           |
| 38,790           | Cash and Cash Equivalents            | <a href="#">23.4</a>                        | 41,859           |
| 926              | Assets Held for Sale                 |   | 538              |
| <b>103,768</b>   | <b>Current Assets</b>                |   | <b>139,141</b>   |
| (468,223)        | Short-term Borrowing                 | <a href="#">18.1</a>                        | (464,242)        |
| (64,522)         | Short-term Creditors                 | <a href="#">20.1</a>                        | (113,654)        |
| (2,987)          | Short-term Provisions                | <a href="#">21</a>                          | (3,065)          |
| (3,235)          | Grants Received in Advance - Revenue | <a href="#">29</a>                          | (8,950)          |
| (32,406)         | Grants Received in Advance - Capital | <a href="#">29</a>                          | (65,337)         |
| <b>(571,373)</b> | <b>Current Liabilities</b>           |   | <b>(655,248)</b> |
| (12,698)         | Long-term Creditors                  | <a href="#">20.2</a>                        | (8,895)          |
| (9,870)          | Long-term Provisions                 | <a href="#">21</a>                          | (18,057)         |
| (135,138)        | Long-term Borrowing                  | <a href="#">18.1</a>                        | (135,527)        |
| (455,390)        | Long-term Liabilities Pensions       | <a href="#">34.3</a> & <a href="#">34.9</a> | (588,890)        |
| (118,652)        | Other Long-term Liabilities          | <a href="#">20.3</a>                        | (116,867)        |
| (88,476)         | Grants Received in Advance - Capital | <a href="#">29</a>                          | (75,320)         |
| <b>(820,224)</b> | <b>Long Term Liabilities</b>         |   | <b>(943,556)</b> |
| <b>(81,540)</b>  | <b>Net Assets</b>                    |   | <b>(180,712)</b> |
| 59,670           | Usable Reserves                      |   | 114,263          |
| (141,210)        | Unusable Reserves                    | <a href="#">22</a>                          | (294,975)        |
| <b>(81,540)</b>  | <b>Total Reserves</b>                |   | <b>(180,712)</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.

| 2019/20   |  | Note                 | 2020/21  |
|-----------|--|----------------------|----------|
| £000      |  |                      | £000     |
| (45,718)  | Net Surplus/(Deficit) on the Provision of Services   | <a href="#">23.1</a> | (13,807) |
| 66,481    | Adjustment to Net Surplus/(Deficit) on the Provision of Services for non-cash movement   | <a href="#">23.1</a> | 66,897   |
| (15,312)  | 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> | (14,643) |
| 5,451     | <b>Net Cash Flows from Operating Activities</b>  |                      | 38,447   |
| (149,415) | Investing activities   | <a href="#">23.2</a> | (37,221) |
| 150,891   | Financing activities   | <a href="#">23.3</a> | 1,843    |
| 6,927     | <b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>  |                      | 3,069    |
| 31,863    | Cash and cash equivalents at the beginning of the reporting period   | <a href="#">23.4</a> | 38,790   |
| 38,790    | <b>Cash and Cash Equivalents at the End of the Reporting Period</b>  |                      | 41,859   |

## NOTES TO THE FINANCIAL STATEMENTS

|    |   |     |
|----|---|-----|
| 1  | Accounting Policies.....  | 31  |
| 2  | Material Items of Income and Expense .....  | 46  |
| 3  | Critical Judgements in Applying Accounting Policies .....                                 | 46  |
| 4  | Accounting Standards that have been Issued but have Not Yet Been Adopted .....            | 46  |
| 5  | Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty ..... | 47  |
| 6  | Events After the Balance Sheet Reporting Period .....                                     | 49  |
| 7  | Expenditure and Funding Analysis .....  | 50  |
| 8  | Note to the Expenditure and Funding Analysis.....   | 51  |
| 9  | Expenditure and Income Analysed by Nature.....  | 53  |
| 10 | Adjustments Between Accounting Basis and Funding Basis Under Regulations.....             | 54  |
| 11 | Other Operating Expenditure.....  | 56  |
| 12 | Movement in Earmarked Reserves .....  | 57  |
| 13 | Financing and Investment Income and Expenditure .....                                     | 58  |
| 14 | Taxation and Non-Specific Grant Income and Expenditure.....                               | 58  |
| 15 | Property, Plant and Equipment .....   | 59  |
| 16 | Heritage Assets.....  | 62  |
| 17 | Investment Properties.....  | 63  |
| 18 | Financial Instruments.....  | 65  |
| 19 | Debtors .....   | 74  |
| 20 | Creditors.....  | 75  |
| 21 | Provisions.....   | 76  |
| 22 | Unusable Reserves.....  | 76  |
| 23 | Notes to the Cash Flow .....  | 81  |
| 24 | Pooled Budgets – Integrated Fund .....  | 83  |
| 25 | Members’ Allowances .....   | 84  |
| 26 | Officers’ Remuneration .....  | 85  |
| 27 | External Audit Costs .....  | 89  |
| 28 | Dedicated Schools Grant (DSG) .....   | 89  |
| 29 | Grant Income.....   | 91  |
| 30 | Related Parties .....   | 94  |
| 31 | Capital Expenditure and Capital Financing.....  | 96  |
| 32 | Leases.....   | 97  |
| 33 | Private Finance Initiatives (PFI) and Similar Contracts .....                             | 98  |
| 34 | Pensions.....   | 99  |
| 35 | Contingent Assets and Liabilities.....  | 107 |

## **I Accounting Policies**

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

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year ended 31 March 2021. 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 2020/21 (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**

Termination benefits (e.g. redundancy payments) 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 2.0% (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

Non-derivative financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement (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 Council has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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 Council 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. Non-derivative 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 Council 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 Council.

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 Council 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 and Loss**

Financial assets that are measured at FVPL are recognised on the balance sheet when the Council 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 Council'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 Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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.

### Financial Derivatives

Financial derivatives are measured at FVPL and therefore all gains and losses are taken to the Financing and Investment Income and Expenditure line in the CIES unless the derivative is designated in an effective hedging relationship (see note [1.27](#)).

### 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; and
- 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 Edgcombe House or the City Museum) this will be recognised as Other Land and Buildings rather than as a Heritage Asset.

The Council's collections are accounted for as follows:

- **Historic Buildings and Monuments**

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

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

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

- **Fine Art and World Cultures Collection**

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

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

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

- **Gold, Silver and Jewellery Collection**

The collection of gold, silver and jewellery includes local pieces dating from the 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)**

##### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the leases at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge.

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue 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.



## 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

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.

### 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; and

- 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 of Non-Financial Assets**

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.

## 1.27 Hedge Accounting

The Council applies hedge accounting to its cash flow hedges of interest rate risk where the variability in interest payments on borrowing is offset by variable receipts from interest rate swaps. Hedge relationships are formally designated and documented at inception together with the risk management objective and strategy in operation.

The effective portion of the gain or loss on a cash flow hedging instrument is taken to the Cash Flow Hedge Reserve and reported in Other Comprehensive Income while any ineffective portion is recognised in the Surplus or Deficit on the Provision of Services.

Hedge accounting is discontinued only when the hedging relationship ceases to meet the qualifying criteria, for example when highly probable forecast loan transactions are no longer highly probable or when the hedging instrument is derecognised. If a forecast transaction is no longer expected to occur, then the balance on the cash flow hedge reserve is reclassified to the surplus of deficit on the provision of services.

## 2 Material Items of Income and Expense

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.

## 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical 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 £59.567m, if the bridge was valued at its depreciated historic cost in line with other infrastructure assets the value would be £25.301m, 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 2020/21 Code and that came into effect on or before 1 January 2021.

For 2020/21 the following potentially relevant standards include:

- Definition of a Business: amendment to IFRS 3 Business Combinations;
- Interest Rates Benchmark Reform: amendments to IFRS 9, IAS 39 and IFRS 7; and

- Interest Rates Benchmark Reform – Phase 2: amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

Application of the standards is required from 1 April 2020. Therefore, these changes will be reflected in the Council's 2021/22 or future Statement of Accounts.

There are no changes in accounting requirements for 2021/22 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<br>(if actual results differ from assumptions)   |
|-------------------------------|--|---|
| Property, Plant and 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 2021 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 £899.250m.</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 £28m 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 | <p>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. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global.</p>                      | <p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p>   |
| 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 £588.890m.</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                | <p>As at 31 March 2021 the Council had a balance of short-term debtors of £96.218m. The Council makes an impairment allowance against those debts which may become uncollectable. The impairment allowance is currently £16.693m (£13.228m in 2019/20). It is hard to determine whether the impairment allowance increase 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.</p> | <p>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.</p> |

### Material Uncertainties

There are material uncertainties around valuations in the following areas:

#### Property, Plant and Equipment – Valuations Undertaken at 31 March 2021 – COVID-19 Implications

Non-current asset valuations are based on market conditions and are reviewed annually to ensure that they are materially correct when reported within the annual statement of accounts. 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. As a result, valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. It is not currently possible to



accurately predict the full impact of the COVID-19 pandemic as there is insufficient evidence available at the current time. Therefore, the valuations reported have been based on market conditions prior to this crisis on the assumption normal market conditions will be restored.

The material uncertainties are as follows:

### **Tamar Bridge Valuation**

Due to COVID-19 there is a material valuation uncertainty in relation to the valuation of the Tamar Bridge. Its value in the Council's accounts (50% of its total value through the Joint Committee with Cornwall Council) is £59.567m.

### **Other Land and Buildings**

Due to COVID-19 there is a material valuation uncertainty in relation to Other Land and Buildings. These are valued at £616.256m in the Council's accounts. A change in that valuation of between 0% to 10% could result in a change in value of between £0m and £61.626m.

### **Pension Fund**

The Council's liability as at the 31 March is based on a number of complex judgements relating to the discount rate used, the rate at which salaries may change, changes in mortality rates and expected returns on pension fund assets. There are uncertainties in the financial markets caused by the current COVID-19 pandemic. The effects on the net pension liability of changes in individual assumptions can be measured. For example, a future 0.1% increase in the discount rate assumption would result in a reduction in the (gross) pension liability of £28.526m. Similarly, a reduction of 1 year in the mortality assumption would result in a reduction of £65.523m in the (gross) pension liability.

## **6 Events After the Balance Sheet Reporting Period**

The Council's Section 151 Officer authorised the Statement of Accounts on 31 July 2021. Events taking place after this date are not reflected in the financial statements. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no known events after the 31 March 2021 that would have material impact on the Council's position.

## 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.

| 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 |  | 2020/21 Directorate Total Reported for Outturn | 2020/21 Adjustment to Arrive at the Net Expenditure Chargeable to the General Fund Balances | 2020/21 Net Expenditure Chargeable to the General Fund Balances | 2020/21 Adjustments Between the Funding and Accounting Basis | 2020/21 Net Expenditure in the CIES |
|--|---|---|--|-------------------------------------|--|--|---|---|--|-------------------------------------|
| £000   | £000  | £000  | £000   | £000                                |  | £000   | £000  | £000  | £000   | £000                                |
| 5,859  | 0   | 5,859   | 731  | 6,590                               | Executive Office   | 5,589  | 1   | 5,590   | (93)   | 5,497                               |
| (13,175)                                       | 294   | (12,881)  | (72,795)   | (85,676)                            | Corporate Items  | (35,783)                                       | (3,627)   | (39,410)  | (4,839)  | (44,249)                            |
| 17,374   | (3,093)   | 14,281  | 532  | 14,813                              | Finance  | 11,296   | (7,267)   | 4,029   | 348  | 4,377                               |
| 16,554   | 0   | 16,554  | 3,896  | 20,450                              | Customer and Corporate Services  | 31,333   | 369   | 31,702  | 2,947  | 34,649                              |
| 133,895  | 0   | 133,895   | 16,848   | 150,743                             | People Directorate   | 146,021  | 470   | 146,491   | (14,902)   | 131,589                             |
| (558)  | 0   | (558)   | 712  | 154                                 | Public Health  | 1,349  | 0   | 1,349   | (1,058)  | 291                                 |
| 25,539   | (385)   | 25,154  | 29,414   | 54,568                              | Place Directorate  | 33,872   | 507   | 34,379  | 21,771   | 56,150                              |
| 185,488  | (3,184)   | 182,304   | (20,662)   | 161,642                             | <b>Net Cost of Service</b>   | 193,677  | (9,547)   | 184,130   | 4,174  | 188,304                             |
|  |   | (181,685)   | 65,760   | (115,925)                           | Other Income and Expenditure   |  |   | (235,487)   | 60,990   | (174,497)                           |
|  |   | 619   | 45,098   | 45,717                              | <b>(Surplus)/Deficit on Provision of Service</b>                       |  |   | (51,357)  | 65,164   | 13,807                              |
|  |   | (32,720)  |  |                                     | Opening General Fund and Earmarked balances at 31 March                |  |   | (32,101)  |  |                                     |
|  |   | 619   |  |                                     | <b>(Surplus)/Deficit on General Fund and Earmarked balance in Year</b> |  |   | (51,357)  |  |                                     |
|  |   | (32,101)  |  |                                     | <b>Closing General Fund Balance at 31 March</b>                        |  |   | (83,458)  |  |                                     |

## 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 |
|---|----------------------------------|---|-------------------|-------------------|
| 2020/21   | £000                             | £000                                    | £000              | £000              |
| Executive Office  | 33                               | 363                                     | (489)             | (93)              |
| Corporate Items   | (30)                             | 2,238                                   | (7,047)           | (4,839)           |
| Finance   | 0                                | 310                                     | 38                | 348               |
| Customer and Corporate Services   | 4,365                            | 1,478                                   | (2,896)           | 2,947             |
| People Directorate  | (2,602)                          | 154                                     | (12,454)          | (14,902)          |
| Public Health   | 364                              | 385                                     | (1,807)           | (1,058)           |
| Place Directorate   | 28,858                           | 2,940                                   | (10,027)          | 21,771            |
| <b>Net Cost of Service</b>  | <b>30,988</b>                    | <b>7,868</b>                            | <b>(34,682)</b>   | <b>4,174</b>      |
| Other Operating Expenditure   | 8,278                            | 544                                     | 0                 | 8,822             |
| Financing and Investment Income and Expenditure   | 9,455                            | 10,586                                  | 15,364            | 35,405            |
| Taxation and Non-Specific Grant Income  | 10,666                           | 0                                       | (29,084)          | (18,418)          |
| Other Income and Expenditure from the Expenditure and Funding Analysis  | 28,399                           | 11,130                                  | 21,461            | 60,990            |
| <b>Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service</b> | <b>59,387</b>                    | <b>18,998</b>                           | <b>(13,221)</b>   | <b>65,164</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 |
|---|----------------------------------|---|-------------------|-------------------|
| 2019/20   | £000                             | £000                                    | £000              | £000              |
| Executive Office  | 33                               | 548                                     | 150               | 731               |
| Corporate Items   | 67                               | (61,754)                                | (11,108)          | (72,795)          |
| 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>(49,842)</b>                         | <b>(13,016)</b>   | <b>(20,662)</b>   |
| Other Income and Expenditure from the Expenditure and Funding Analysis  | 73,626                           | 12,572                                  | (20,438)          | 65,760            |
| <b>Difference Between General Fund Surplus or Deficit and CIES Surplus or Deficit on the Provision of Service</b> | <b>115,822</b>                   | <b>(37,270)</b>                         | <b>(33,454)</b>   | <b>45,098</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  | 2019/20          | 2020/21          |
|---|------------------|------------------|
|   | £000             | £000             |
| <b>Expenditure:</b>   |                  |                  |
| Employee benefits expenses  | 162,859          | 143,756          |
| Other service expenses  | 356,076          | 398,904          |
| Depreciation, amortisation, impairment                            | 128,680          | 37,786           |
| Interest payments   | 17,411           | 14,940           |
| <b>Total Expenditure</b>  | <b>665,026</b>   | <b>595,386</b>   |
| <b>Income:</b>  |                  |                  |
| Fees, charges and other service income                            | (197,036)        | (117,712)        |
| Interest and investment income                                    | (21,055)         | (6,716)          |
| Income from council tax, non-domestic rates, district rate income | (169,546)        | (143,615)        |
| Government grants and contributions                               | (231,672)        | (313,536)        |
| <b>Total Income</b>   | <b>(619,309)</b> | <b>(581,579)</b> |
| <b>Surplus or Deficit on the Provision of Service</b>             | <b>45,717</b>    | <b>13,807</b>    |

## 10 Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

| Adjustments between Accounting Basis and Funding Basis Under Regulations   | 2019/20              |                          |                          |                               | 2020/21              |                          |                          |                               |
|--|----------------------|--------------------------|--------------------------|-------------------------------|----------------------|--------------------------|--------------------------|-------------------------------|
|  | 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  | (39,528)             | 0                        | 0                        | 39,528                        | (22,920)             | 0                        | 0                        | 22,920                        |
| Movements in the market value of Investment Properties   | 5,526                | 0                        | 0                        | (5,526)                       | (8,300)              | 0                        | 0                        | 8,300                         |
| Amortisation of intangible assets  | (7)                  | 0                        | 0                        | 7                             | (7)                  | 0                        | 0                        | 7                             |
| Capital grants and contributions   | 16,151               | 0                        | (16,151)                 | 0                             | 24,980               | 0                        | (24,980)                 | 0                             |
| Movement in the Donated Assets Account   | 256                  | 0                        | 0                        | (256)                         | 0                    | 0                        | 0                        | 0                             |
| Revenue expenditure funded from capital under statute  | (10,588)             | 0                        | 0                        | 10,588                        | (20,483)             | 0                        | 0                        | 20,483                        |
| 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 | (348)                | 0                        | 0                        | 348                           | (9,399)              | 0                        | 0                        | 9,399                         |
| Deferred credit Energy from Waste  | 2,324                | 0                        | 0                        | (2,324)                       | 2,324                | 0                        | 0                        | (2,324)                       |
| Revaluation losses on investment in shares   | (73,435)             | 0                        | 0                        | 73,435                        | (60)                 | 0                        | 0                        | 60                            |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>   |                      |                          |                          |                               |                      |                          |                          |                               |
| Statutory provision for the financing of capital investment  | 10,872               | 0                        | 0                        | (10,872)                      | 18,348               | 1,373                    | 0                        | (19,721)                      |
| Capital expenditure charged against the General Fund   | 523                  | 0                        | 0                        | (523)                         | 533                  | 0                        | 0                        | (533)                         |
| <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                    | (305)                    | 0                        | 305                           | 0                    | (478)                    | 0                        | 478                           |
| Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement  | 1,926                | (1,926)                  | 0                        | 0                             | 1,191                | (1,191)                  | 0                        | 0                             |
| <b>Total C/FWD</b>   | <b>(86,328)</b>      | <b>(2,231)</b>           | <b>(16,151)</b>          | <b>104,710</b>                | <b>(13,793)</b>      | <b>(296)</b>             | <b>(24,980)</b>          | <b>39,069</b>                 |

| Adjustments between Accounting Basis and Funding Basis Under Regulations  | 2019/20              |                          |                          |                               | 2020/21              |                          |                          |                               |
|---|----------------------|--------------------------|--------------------------|-------------------------------|----------------------|--------------------------|--------------------------|-------------------------------|
|   | 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>(86,328)</b>      | <b>(2,231)</b>           | <b>(16,151)</b>          | <b>104,710</b>                | <b>(13,793)</b>      | <b>(296)</b>             | <b>(24,980)</b>          | <b>39,069</b>                 |
| Long term debtor repayments in year   | 0                    | (457)                    | 0                        | 457                           | 0                    | (1,477)                  | 0                        | 1,477                         |
| Use of the Capital Receipts Reserve to finance new capital expenditure  | 0                    | 1,661                    | 0                        | (1,661)                       | 0                    | 1,843                    | 0                        | (1,843)                       |
| <b>Adjustments involving the Capital Grants Unapplied Account:</b>  |                      |                          |                          |                               |                      |                          |                          |                               |
| Use of the Capital Grants unapplied Account to finance new capital expenditure  | 0                    | 0                        | 14,425                   | (14,425)                      | 0                    | 0                        | 21,674                   | (21,674)                      |
| <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                           | 609                  | 0                        | 0                        | (609)                         | 553                  | 0                        | 0                        | (553)                         |
| <b>Adjustments involving the Financial Instruments Revaluation Reserve</b>  |                      |                          |                          |                               |                      |                          |                          |                               |
| Amount by which Financial Instruments held under Fair Value through Other Comprehensive Income  | (1,263)              | 0                        | 0                        | 1,263                         | 217                  | 0                        | 0                        | (217)                         |
| <b>Adjustments involving the Pensions Reserve:</b>  |                      |                          |                          |                               |                      |                          |                          |                               |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement   | (48,411)             | 0                        | 0                        | 48,411                        | (33,779)             | 0                        | 0                        | 33,779                        |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | 85,682               | 0                        | 0                        | (85,682)                      | 14,781               | 0                        | 0                        | (14,781)                      |
| <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                | 3,893                | 0                        | 0                        | (3,893)                       | (32,687)             | 0                        | 0                        | 32,687                        |
| <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 | 720                  | 0                        | 0                        | (720)                         | (456)                | 0                        | 0                        | 456                           |
| <b>Total Adjustments</b>  | <b>(45,098)</b>      | <b>(1,027)</b>           | <b>(1,726)</b>           | <b>47,851</b>                 | <b>(65,164)</b>      | <b>70</b>                | <b>(3,306)</b>           | <b>68,400</b>                 |

## General Fund Balances

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                        | 2019/20        | 2020/21      |
|--|----------------|--------------|
|  | £000           | £000         |
| Levies   | 100            | 101          |
| Gains/losses on the disposal of non-current assets | 219            | 9,408        |
| Pension administration costs                       | 515            | 544          |
| Other income*                                      | (1,865)        | (1,195)      |
| <b>Total</b>                                       | <b>(1,031)</b> | <b>8,858</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.

| 2020/21                        | Balance as at<br>31 March 2020 | Transfers to<br>Reserves<br>2020/21 | Transfers<br>from<br>Reserves<br>2020/21 | Balance as at<br>31 March 2021 |
|--------------------------------|--------------------------------|-------------------------------------|--|--------------------------------|
|                                | £000                           | £000                                | £000                                     | £000                           |
| <b>Education Reserves</b>      | (1,965)                        | (3,378)                             | 1,909                                    | (3,434)                        |
| <b>Other Ring Fenced</b>       | (2,263)                        | (2,011)                             | 330                                      | (3,944)                        |
| <b>Other Reserves</b>          | (4,700)                        | (2,878)                             | 1,364                                    | (6,214)                        |
| <b>PCC Earmarked Reserves:</b> |                                |                                     |  |                                |
| Life Centre Dowry              | (350)                          | 0                                   | 350                                      | 0                              |
| Investment Fund                | (135)                          | (109)                               | 17                                       | (227)                          |
| Integrated Finance Reserve     | (593)                          | (7,335)                             | 0  | (7,928)                        |
| Pension Reserve                | (3,500)                        | 0                                   | 1,280                                    | (2,220)                        |
| Collection Fund Reserve        | 0                              | (30,565)                            | 0  | (30,565)                       |
| Other PCC Earmarked Reserves   | (10,551)                       | (18,766)                            | 8,435                                    | (20,882)                       |
| <b>Total Reserves</b>          | <b>(24,057)</b>                | <b>(65,042)</b>                     | <b>13,685</b>                            | <b>(75,414)</b>                |

| 2019/20                        | Balance as at<br>31 March 2019 | Transfers to<br>Reserves<br>2019/20 | Transfers<br>from<br>Reserves<br>2019/20 | Balance as at<br>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> |                                |                                     |  |                                |
| Life Centre dowry              | (200)                          | (150)                               | 0  | (350)                          |
| Investment fund                | (165)                          | (112)                               | 142                                      | (135)                          |
| Business Rate 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   | (6,046)                        | (9,223)                             | 4,718                                    | (10,551)                       |
| <b>Total Reserves</b>          | <b>(24,669)</b>                | <b>(17,162)</b>                     | <b>17,774</b>                            | <b>(24,057)</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 2021 balance relating to the School budget share was £3.278m (31 March 2020: £1.829m).

**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.

**Collection Fund Reserve** – The Collection Fund Reserve holds balances to ‘smooth’ the impact and movement of COVID-10 grant funding for Business Rates and Council Tax across multiple financial years.

### 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   | 2019/20       | 2020/21       |
|--|---------------|---------------|
|  | £000          | £000          |
| Interest payable and similar charges   | 15,792        | 14,968        |
| Fair value for capital share purchase  | 73,435        | 60            |
| Fair value for Financial Instruments   | 1,263         | (217)         |
| Pensions interest cost and expected return on pension assets   | 11,980        | 10,523        |
| Interest receivable and similar income   | (3,334)       | (3,334)       |
| (Surplus)/deficit on trading undertakings not included in Net Cost of Service  | 49            | 10            |
| Income and expenditure in relation to investment properties and changes in their fair value including (gains)/losses on disposal | (11,840)      | 4,951         |
| <b>Total</b>   | <b>87,345</b> | <b>26,961</b> |

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

| Analysis of Income               | 2019/20          | 2020/21          |
|----------------------------------|------------------|------------------|
|                                  | £000             | £000             |
| Council tax income               | (112,317)        | (115,319)        |
| Non domestic rates               | (57,229)         | (28,293)         |
| Non-ringfenced government grants | (22,550)         | (52,476)         |
| Capital grants and contributions | (10,143)         | (14,228)         |
| <b>Total</b>                     | <b>(202,239)</b> | <b>(210,316)</b> |

## 15 Property, Plant and Equipment

### 15.1 Movement in Year

The movement in Property, Plant and Equipment (PPE) in 2020/21 is summarised in the following table:

| 2020/21  | 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 2020  | 573,712                  | 69,079                                  | 258,704               | 60,532        | 3,605            | 3,211          | 89,828                    | 1,058,671                           | 123,492  |
| Additions  | 4,503                    | 4,893                                   | 15,667                | 1,607         | 0                | 0              | 30,533                    | 57,203                              | 0  |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | 8,931                    | 0                                       | 0                     | 0             | 0                | 2              | 0                         | 8,933                               | 767  |
| Revaluation increases/(decreases) recognised in the surplus/deficit on the Provision of Services | 3,416                    | 0                                       | 0                     | (3,875)       | 0                | (54)           | 0                         | (513)                               | 904  |
| Derecognition - disposals  | (1,499)                  | (785)                                   | 0                     | 0             | 0                | 0              | 0                         | (2,284)                             | 0  |
| Assets reclassified (to)/from Held for Sale  | 0                        | 0                                       | 0                     | 0             | 0                | 0              | 0                         | 0                                   | 0  |
| Other movements in cost or valuation   | 27,193                   | 3,930                                   | 13,748                | 1,303         | 0                | (114)          | (58,179)                  | (12,119)                            | 0  |
| <b>At 31 March 2021</b>  | <b>616,256</b>           | <b>77,117</b>                           | <b>288,119</b>        | <b>59,567</b> | <b>3,605</b>     | <b>3,045</b>   | <b>62,182</b>             | <b>1,109,891</b>                    | <b>125,163</b>                                       |
| <b>Accumulated Depreciation and Impairment</b>   |                          |   |                       |               |                  |                |                           |                                     |  |
| At 1 April 2020  | (36,436)                 | (47,046)                                | (112,653)             | 0             | (1,302)          | (124)          | 0                         | (197,561)                           | (433)  |
| Depreciation charge  | (5,772)                  | (4,616)                                 | (12,012)              | 0             | 0                | (4)            | 0                         | (22,404)                            | (33)   |
| Depreciation written out to the Revaluation Reserve  | 7,951                    | 0                                       | 0                     | 0             | 0                | 0              | 0                         | 7,951                               | 0  |
| Depreciation written out to the surplus/deficit on the Provision of Services                     | 0                        | 0                                       | 0                     | 0             | 0                | 1              | 0                         | 1                                   | 0  |
| Impairment losses/(reversals) recognised in the Revaluation Reserve                              | 0                        | 0                                       | 0                     | 0             | 0                | 119            | 0                         | 119                                 | 0  |
| Impairment losses/(reversals) recognised in the surplus/deficit on the Provision of Services     | 138                      | 0                                       | (226)                 | 0             | 0                | 0              | 0                         | (88)                                | 0  |
| Derecognition - disposals  | 149                      | 762                                     | 0                     | 0             | 0                | 0              | 0                         | 911                                 | 0  |
| Other movements in depreciation and impairment   | 0                        | 430                                     | 0                     | 0             | 0                | 0              | 0                         | 430                                 | 0  |
| <b>At 31 March 2021</b>  | <b>(33,970)</b>          | <b>(50,470)</b>                         | <b>(124,891)</b>      | <b>0</b>      | <b>(1,302)</b>   | <b>(8)</b>     | <b>0</b>                  | <b>(210,641)</b>                    | <b>(466)</b>   |
| <b>Net Book Value</b>  |                          |   |                       |               |                  |                |                           |                                     |  |
| <b>At 31 March 2021</b>  | <b>582,286</b>           | <b>26,647</b>                           | <b>163,228</b>        | <b>59,567</b> | <b>2,303</b>     | <b>3,037</b>   | <b>62,182</b>             | <b>899,250</b>                      | <b>124,697</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>                                       |

| 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>                                       |

## 15.2 Commitments Under Capital Contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2021 amounted to £39.565m (31 March 2020: £70.780m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme. Significant contractual commitments outstanding as at 31 March 2021 were as follows:

| Project  | Contractor              | Amount        |
|--|-------------------------|---------------|
|  |                         | <b>£000</b>   |
| Forder Valley Link Road                                    | Balfour Beatty          | 24,096        |
| Contribution to Civic Centre Public Realm                  | Various                 | 2,450         |
| Re-development of Old Town Street / New George Street East | British Land            | 2,000         |
| PfH Empty Homes Financial Assistance                       | Various                 | 989           |
| Plymouth Railway Station Concourse                         | GWR                     | 909           |
| Plymouth Life Centre                                       | Balfour Beatty          | 870           |
| Cothill Railway Bridge Replacement                         | Network Rail            | 763           |
| The Box  | Wilmott Dixon & The Hub | 729           |
| Street Scene & Waste Vehicles                              | CPD Davidson            | 700           |
| A38 Manadon Junction                                       | Balfour Beatty          | 608           |
| Forder Valley Interchange                                  | Balfour Beatty          | 500           |
| Other Contractual Commitments under £500k                  |                         | 4,951         |
| <b>Total</b>   |                         | <b>39,565</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 the Council's internal 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             | 1,172                    | 26,647                                   | 0              | 27,819         |
| <b>Valued at Current Value as at :</b> |                          |  |                |                |
| 31 March 2021                          | 427,030                  | 0  | 3,037          | 430,067        |
| 31 March 2020                          | 61,101                   | 0  | 0              | 61,101         |
| 31 March 2019                          | 59,022                   | 0  | 0              | 59,022         |
| 31 March 2018                          | 10,589                   | 0  | 0              | 10,589         |
| 31 March 2017                          | 23,372                   | 0  | 0              | 23,372         |
| <b>Total Cost of Valuation</b>         | <b>582,286</b>           | <b>26,647</b>                            | <b>3,037</b>   | <b>611,970</b> |

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

| Assets Written Off Balance Sheet | 2019/20    | 2020/21      |
|----------------------------------|------------|--------------|
|                                  | £000       | £000         |
| Land and property sales          | 220        | 1,810        |
| Academy and trust schools        | 0          | 7,598        |
| Investment properties            | 0          | 27           |
| <b>Total</b>                     | <b>220</b> | <b>9,435</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 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> |
| <b>Cost or Valuation</b>   |              |               |                            |               |
| As at 1 April 2020         | 5,914        | 17,451        | 4,730                      | 28,095        |
| Additions                  | 1,243        | 61            | 0                          | 1,304         |
| Revaluations               | 0            | (403)         | 0                          | (403)         |
| Reclassification           | 1,067        | 0             | 0                          | 1,067         |
| <b>As at 31 March 2021</b> | <b>8,224</b> | <b>17,109</b> | <b>4,730</b>               | <b>30,063</b> |

## 17 Investment Properties

### 17.1 Income, Expenditure and Charges 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 offices, various ground rents (including retail, offices and industrial), industrial estates (including out of town), development sites, leisure (including restaurants, cafes and hotels) and retail (both in and out of town).

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 | 2019/20      | 2020/21      |
|--|--------------|--------------|
|  | £000         | £000         |
| Rental income from Investment Property                                   | 13,707       | 13,816       |
| Direct operating expenses arising from Investment Property               | (7,393)      | (8,566)      |
| <b>Net Gain/(Loss)</b>   | <b>6,314</b> | <b>5,250</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  | 2019/20        | 2020/21        |
|--|----------------|----------------|
|  | £000           | £000           |
| <b>Balance at 1 April</b>                      | <b>197,732</b> | <b>254,440</b> |
| Additions                                      | 47,576         | 26,558         |
| Disposals                                      | (215)          | (160)          |
| Net gains/(losses) from fair value adjustments | 5,526          | (8,300)        |
| <b>Transfers:</b>                              |                |                |
| (to)/from Property, Plant and Equipment        | 3,821          | 2,904          |
| <b>Balance at 31 March</b>                     | <b>254,440</b> | <b>275,442</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 2021 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 2021 |
|---|--|---|---|--------------------------------|
| 2020/21                                 | £000   | £000  | £000                                      | £000                           |
| Industrial sites                        | 0  | 66,426  | 0   | 66,426                         |
| Miscellaneous ground rents              | 0  | 6,628   | 3,698                                     | 10,326                         |
| Miscellaneous lets                      | 0  | 24,787  | 34  | 24,821                         |
| Retail ground rents                     | 0  | 33,469  | 0   | 33,469                         |
| Offices                                 | 0  | 15,679  | 0   | 15,679                         |
| Out of town retail                      | 0  | 77,111  | 0   | 77,111                         |
| Out of town businesses                  | 0  | 38,511  | 0   | 38,511                         |
| Development and Surplus Land            | 0  | 8,998   | 50  | 9,048                          |
| Lodges                                  | 0  | 51  | 0   | 51                             |
| <b>Total</b>                            | <b>0</b>   | <b>271,660</b>                                | <b>3,782</b>                              | <b>275,442</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 |
|---|--|---|---|--------------------------------|
| 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.

### 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.

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 the Council's internal 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 2020 | 31 March 2021 |
|--|---------------|---------------|
|  | £000          | £000          |
| <b>Opening Balance</b>   | <b>4,138</b>  | <b>3,749</b>  |
| Reclassifications in to Investment Properties at Level 3   | (288)         | 0             |
| Total gains/(losses) for the period included in the surplus or deficit on the provision of services resulting from changes in fair value | (101)         | 33            |
| <b>Closing Balance</b>   | <b>3,749</b>  | <b>3,782</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. Changes to the fair value of the fund are accounted for in the Income and Expenditure Account with a statutory override reversing the impact of these movements in the Movement in Reserves Statement.

## 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).
- Fair value through profit and loss (all other financial assets) comprising:
  - Interest rate swaps;
  - pooled funds, equity and property funds managed and held as strategic investments;
  - equity investments held for service purposes;
  - money market funds managed by fund managers;
  - 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:

- 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 20   | 31 March 21   | 31 March 20   | 31 March 21   | 31 March 20    | 31 March 21    |
|  |                  | £000          | £000          | £000          | £000          | £000           | £000           |
| <b>At fair value through profit or loss:</b>             |                  |               |               |               |               |                |                |
| Money Market Fund (MMF)                                  | 3                | 0             | 0             | 32,554        | 29,950        | 32,554         | 29,950         |
| CCLA pooled funds  | 2                | 26,651        | 26,868        | 0             | 0             | 26,651         | 26,868         |
| <b>At fair value through other comprehensive income:</b> |                  |               |               |               |               |                |                |
| Pooled funds / equity instruments                        | 2                | 24,263        | 28,097        | 0             | 0             | 24,263         | 28,097         |
| <b>Amortised cost:</b>                                   |                  |               |               |               |               |                |                |
| Long-term investments                                    | 3                | 123           | 73            | 0             | 0             | 123            | 73             |
| Interest rates swap *                                    | 2                | 0             | 5,617         | 0             | 0             | 0              | 5,617          |
| Short-term investments                                   | 3                | 0             | 0             | 12,115        | 0             | 12,115         | 0              |
| Cash and cash equivalents (less MMF)                     | 3                | 0             | 0             | 6,236         | 11,909        | 6,236          | 11,909         |
| <b>Total Investments</b>                                 |                  | <b>51,037</b> | <b>60,655</b> | <b>50,905</b> | <b>41,859</b> | <b>101,942</b> | <b>102,514</b> |
| Trade debtors held at amortised cost                     | 3                | 0             | 0             | 20,085        | 17,841        | 20,085         | 17,841         |
| Long-term debtors  | 3                | 11,591        | 13,540        | 0             | 0             | 11,591         | 13,540         |
| <b>Total Financial Assets *</b>                          |                  | <b>62,628</b> | <b>74,195</b> | <b>70,990</b> | <b>59,700</b> | <b>133,618</b> | <b>133,895</b> |

\* Long-term asset while part of an effective hedging arrangement.

| Financial Liabilities                 | Fair Value Level | Long-Term        |                  | Short-Term       |                  | Total            |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                       |                  | 31 March 20      | 31 March 21      | 31 March 20      | 31 March 21      | 31 March 20      | 31 March 21      |
|                                       |                  | £000             | £000             | £000             | £000             | £000             | £000             |
| <b>Loans at amortised cost:</b>       |                  |                  |                  |                  |                  |                  |                  |
| PWLB                                  | 2                | (39,176)         | (40,709)         | 0                | 0                | (39,176)         | (40,709)         |
| Market Loans                          | 2                | (84,058)         | (83,980)         | 0                | 0                | (84,058)         | (83,980)         |
| Other borrowing                       | 2                | (11,904)         | (10,838)         | (468,223)        | (464,242)        | (480,127)        | (475,080)        |
| <b>Total Borrowing</b>                |                  | <b>(135,138)</b> | <b>(135,527)</b> | <b>(468,223)</b> | <b>(464,242)</b> | <b>(603,361)</b> | <b>(599,769)</b> |
| <b>Liabilities at amortised cost:</b> |                  |                  |                  |                  |                  |                  |                  |
| Other liabilities                     | 2                | (118,652)        | (116,867)        | (4,587)          | (4,658)          | (123,239)        | (121,525)        |
| Trade creditors                       | 3                | 0                | 0                | (31,110)         | (19,304)         | (31,110)         | (19,304)         |
| Long-term creditors                   | 3                | (12,698)         | (8,895)          | 0                | 0                | (12,698)         | (8,895)          |
| <b>Total Financial Liabilities</b>    |                  | <b>(266,488)</b> | <b>(261,289)</b> | <b>(503,920)</b> | <b>(488,204)</b> | <b>(770,408)</b> | <b>(749,493)</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<br>31 March 20 | Fair Value<br>31 March 20 | Balance Sheet<br>31 March 21 | Fair Value<br>31 March 21 |
|---------------------------------|------------------------------|---------------------------|------------------------------|---------------------------|
|                                 | £000                         | £000                      | £000                         | £000                      |
| <b>Loans at amortised cost:</b> |                              |                           |                              |                           |
| PWLB                            | 39,176                       | 63,666                    | 40,709                       | 65,211                    |
| LOBO loans                      | 65,857                       | 118,276                   | 65,778                       | 101,235                   |
| Other market loans              | 18,201                       | 30,695                    | 18,202                       | 31,057                    |
| Other long-term loans           | 11,904                       | 10,735                    | 10,838                       | 10,838                    |
| Short-term borrowing            | 468,223                      | 468,223                   | 464,242                      | 464,234                   |
| <b>Total Borrowing</b>          | <b>603,361</b>               | <b>691,595</b>            | <b>599,769</b>               | <b>672,575</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 20   | 31 March 21   | 31 March 20 | 31 March 21  |
|                                    | £000          | £000          | £000        | £000         |
| Schoders Income Maximiser          | 13,155        | 16,177        | 166         | 1,231        |
| Fidelity Enhanced Income Fund *    | 6,108         | 6,949         | 133         | 426          |
| Public Sector Social Impact Fund * | 5,000         | 4,971         | 0           | 0            |
| <b>Total</b>                       | <b>24,263</b> | <b>28,097</b> | <b>299</b>  | <b>1,657</b> |

### 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:

|  | 2019/20  |  | 2020/21  |  |
|--|--|--|--|--|
|  | 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  | 5,197                                      | 0  | (3,834)                                    |
| Financial assets measured at fair value through profit or loss                               | 1,263  | 0  | (217)  | 0  |
| Interest Rate Swaps at Fair Value through Profit & Loss *                                    | 0  | 0  | 372  | (5,706)                                    |
| <b>Interest and similar income</b>   | <b>1,263</b>                                   | <b>5,197</b>                               | <b>155</b>                                     | <b>(9,540)</b>                             |
| At Fair Value through profit or loss   | (1,259)  | 0  | (1,176)  | 0  |
| At Fair Value through other comprehensive income   | (299)  | 0  | (1,656)  | 0  |
| Amortised Cost   | (1,776)  | 0  | (502)  | 0  |
| <b>Total Interest Revenue</b>  | <b>(3,334)</b>                                 | <b>0</b>                                   | <b>(3,334)</b>                                 | <b>0</b>                                   |
| <b>Total Income</b>  | <b>(2,071)</b>                                 | <b>5,197</b>                               | <b>(3,179)</b>                                 | <b>(9,540)</b>                             |
| Interest expense at amortised costs  | 15,792   | 0  | 14,968   | 0  |
| <b>Total Interest Expense</b>  | <b>15,792</b>                                  | <b>0</b>                                   | <b>14,968</b>                                  | <b>0</b>                                   |
| <b>Net (Gain)/Loss for the Year</b>  | <b>13,721</b>                                  | <b>5,197</b>                               | <b>11,789</b>                                  | <b>(9,540)</b>                             |

\* SDPS is cash flows plus accrual; OCI is fair value minus accrual.

#### 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 hares 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 taken at cost value, as the council believes that cost may provide an appropriate estimate of fair value. Cost represents the best estimate of fair value:

- no significant change in the performance of the investee compared with budget;
- no significant change in the market for the investee's products, economic environment in which the entity operates;
- no change in expected performance in matters such as fraud, commercial disputes, litigation, changes in management or strategy.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost.

- 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;

- Other loans borrowed by the Council have been valued at cost on the basis of that most of the loans are short term loans and/or borrowed from other public sector organisations;
- Shares in limited company have been valued at cost of the investment;
- Interest rate swaps have been valued using the market forward interest rate curve;
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been taken at the same value as the on-going PFI model as this is an estimate of the outstanding liability of this finance and provides an appropriate estimate of fair value;
- 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 be approximately the carrying amount given the low and stable interest rate environment and the bad debt provisions already included in the statement of accounts.

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 2020 |               | 31 March 2021 |               |
|-----------------------------|---------------|---------------|---------------|---------------|
|                             | Long-Term     | Short-Term    | Long-Term     | Short-Term    |
|                             | £000          | £000          | £000          | £000          |
| AAA                         | 0             | 0             | 0             | 0             |
| AA                          | 0             | 32,554        | 0             | 29,950        |
| A+                          | 65            | 17,341        | 73            | 11,025        |
| A                           | 0             | 0             | 0             | 0             |
| A-                          | 0             | 0             | 0             | 0             |
| Unrated                     | 58            | 0             | 0             | 0             |
| <b>Total</b>                | <b>123</b>    | <b>49,895</b> | <b>73</b>     | <b>40,975</b> |
| Credit risk not applicable* | 50,914        | 1,010         | 60,582        | 884           |
| <b>Total Investments</b>    | <b>51,037</b> | <b>50,905</b> | <b>60,655</b> | <b>41,859</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.

The credit risk inherent in interest rate swaps is managed by the selection of highly credit worthy counterparties and by the requirement for the counterparty to post cash collateral when the valuation exceeds agreed thresholds. Nil cash collateral was held at 31 March 2021 (31 March 2020: Nil).

### 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 2020    | 31 March 2021    |
|-------------------------------------|------------------|------------------|
|                                     | £000             | £000             |
| Public Works Loan Board             | (40,709)         | (40,709)         |
| Market debt                         | (84,324)         | (83,980)         |
| Temporary borrowing                 | (468,222)        | (464,242)        |
| Other borrowing                     | (10,106)         | (10,838)         |
| Deferred liability (PFI)            | (104,130)        | (100,565)        |
| Deferred liability (finance leases) | (1,514)          | (1,465)          |
| Other liabilities                   | (17,595)         | (19,495)         |
| Trade creditors                     | (31,110)         | (19,304)         |
| Long-term creditors                 | (12,698)         | (8,895)          |
| <b>Total</b>                        | <b>(770,408)</b> | <b>(749,493)</b> |
| Less than 1 year                    | (505,123)        | (498,016)        |
| Between 1 and 2 years               | (5,752)          | (11,903)         |
| Between 2 and 5 years               | (24,866)         | (22,424)         |
| Between 5 and 10 years              | (46,851)         | (42,490)         |
| Between 10 and 20 years             | (68,513)         | (83,756)         |
| Between 20 and 30 years             | (31,689)         | (3,295)          |
| Between 30 and 40 years             | (24,157)         | (24,163)         |
| Between 40 and 50 years             | (25,161)         | (25,174)         |
| Over 50 years                       | (38,296)         | (38,272)         |
| <b>Total</b>                        | <b>(770,408)</b> | <b>(749,493)</b> |

The Council has £64m (2019/20: £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.

£46m of short-term borrowing in place at 31 March 2021 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 maturing deposits and short term borrowing in 2020/21 if required, thus reducing credit 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 £46m short-term (less than 12 months) loans so there is an interest rate risk if the rates go up. The Council holds a £75m "pay fixed receive variable" interest rate swap to partly offset this risk. If there is a 0.5% increase in the bank rate it will cost an additional £1.950m per year.

The Council has £64m (2019/20: £64m) of 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:

- 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;
- pay fixed receive variable interest rate swaps – the fair value of the assets will rise.

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. Movements in the fair value of interest rate swaps will be reflected in Other Comprehensive Income to the extent that they are an effective hedge, see note [18.6](#).

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. Interest rate risk is also managed using interest rate swaps, see note [18.6](#).

### **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 £55m. A 1% fall in commercial property prices would result in a £0.550m fall in the Fair Value through Other Comprehensive Income and Expenditure – this would have no impact on the General Fund until the investment was sold.

### **18.6 Interest Rate Swaps and Hedge Accounting**

The Council uses interest rate swaps to manage its exposure to interest rate risk arising from its portfolio of short-term borrowing (see note [18.5](#)). These provide a hedge against the impact of increasing market interest rates on the cost of short-term borrowing; the margin paid by the Council above the market rate remains unhedged. To avoid volatility on the General Fund, hedge accounting is applied to interest rate swaps.

A £75m interest rate swap maturing in 2040 with a strike rate of 0.56% has been designated as a cash flow hedge of the market interest rate risk (as reflected by movement in the SONIA benchmark) in a £75m layer of highly probable forecast short-term loans. The economic relationship between the swap and the short-term loans is determined at inception and prospectively by comparing their critical terms; i.e. if market rates rise then the Council will pay more on the short-term loans but receive an offsetting amount under the swap. The hedge ratio is determined as 1:1 since the notional amount on the derivative matches the principal amount of the layer being hedged.

Hedge effectiveness is assessed by comparing the fair value movements of the swap and the loans. As a practical expedient, a hypothetical derivative is used to model the fair value movements of the forecast loans. Ineffectiveness may arise from timing differences between payment dates and interest rate reset dates on the swap and loans, or from the impact of credit risk on the valuations, however these are not expected to be significant.

#### Cash flow hedges of interest rate risk: hedging instruments

|                    | Carrying Amount | Balance Sheet Line Item     | Change in Fair Value used to Recognise Hedge Effectiveness | Nominal Amount |
|--------------------|-----------------|-----------------------------|--|----------------|
|                    | £000            |                             | £000   | £000           |
| Interest rate swap | 5,617           | Derivative financial assets | 5,617  | 75,000         |

#### Cash flow hedges of interest rate risk: hedged instruments

|                  | Change in Fair Value used to Recognise Hedge Effectiveness | Balance in Cash Flow Hedge Reserve for Continuing Hedges | Balance in Cash Flow Hedge Reserve for Discontinuing Hedges | Nominal Amount |
|------------------|--|--|---|----------------|
|                  | £000   | £000   | £000  | £000           |
| Short-term loans | (5,785)  | 5,706  | 0   | (75,000)       |

IFRS 7 requires these to be in tabular format despite there being only one hedge using one derivative.

The interest rate swap hedging instrument had a fair value of £5.617m (2019/20: nil) while the fair value of the hypothetical derivative used to measure hedge ineffectiveness was £5.785m (2019/20: nil). The lower figure of £5.617m (2019/20: nil) was therefore transferred to the Cash Flow Hedge Reserve (see note 22.5) and reported in Other Comprehensive Income and nil (2019/20: nil) ineffectiveness was shown in the Surplus or Deficit on the Provision of Services.

## 19 Debtors

### 19.1 Short-Term Debtors

Debtors due within the next 12 months are:

| Category of Debtor                      | 31 March 2020 | 31 March 2021 |
|---|---------------|---------------|
|   | £000          | £000          |
| <b>Amounts falling due in one year:</b> |               |               |
| Central government departments          | 4,182         | 48,174        |
| NHS bodies                              | 1,026         | 833           |
| Other local authorities                 | 4,068         | 3,311         |
| Other entities and individuals          | 41,981        | 43,900        |
| <b>Total Short Term Debtors</b>         | <b>51,257</b> | <b>96,218</b> |

### 19.2 Long-Term Debtors

Debtors due after 12 months are:

| Category of Debtor             | 31 March 2020 | 31 March 2021 |
|--------------------------------|---------------|---------------|
|                                | £000          | £000          |
| Secured debt                   | 273           | 1,142         |
| Other loans/mortgages          | 11,318        | 12,398        |
| <b>Total Long-term Debtors</b> | <b>11,591</b> | <b>13,540</b> |

### 19.3 Bad Debt Provision

| Analysis of Provision Held             | 31 March 2020   | Provision Made in Year | Provision Used in Year | 31 March 2021   |
|--|-----------------|------------------------|------------------------|-----------------|
|  | £000            | £000                   | £000                   | £000            |
| General fund                           | (1,625)         | (1,992)                | 340                    | (3,277)         |
| Housing benefit overpayments provision | (4,350)         | (706)                  | 257                    | (4,799)         |
| Collection fund                        | (7,253)         | (3,116)                | 1,752                  | (8,617)         |
| <b>Total Provisions for Bad Debt</b>   | <b>(13,228)</b> | <b>(5,814)</b>         | <b>2,349</b>           | <b>(16,693)</b> |

## 20 Creditors

### 20.1 Short-Term Creditors

Creditors payable within the next 12 months are:

| Category of Creditor              | 31 March 2020   | 31 March 2021    |
|-----------------------------------|-----------------|------------------|
|                                   | £000            | £000             |
| Central government departments    | (9,506)         | (35,792)         |
| Corporations and trading funds    | (27)            | (7)              |
| NHS bodies                        | (1,707)         | (1,552)          |
| Other local authorities           | (1,908)         | (2,534)          |
| Other entities and individuals    | (51,374)        | (73,769)         |
| <b>Total Short-term Creditors</b> | <b>(64,522)</b> | <b>(113,654)</b> |

### 20.2 Long-Term Creditors

Creditors payable after 12 months are:

| Category of Creditor             | 31 March 2020   | 31 March 2021  |
|----------------------------------|-----------------|----------------|
|                                  | £000            | £000           |
| Other local authorities          | (12,561)        | (8,770)        |
| Other entities and individuals   | (137)           | (125)          |
| <b>Total Long-term Creditors</b> | <b>(12,698)</b> | <b>(8,895)</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 Re-organisation (that is pre 1 April 1998).

## 20.3 Other Long-Term Liabilities

| Analysis of Other Long-term Liabilities                               | 31 March 2020    | 31 March 2021    |
|---|------------------|------------------|
|   | £000             | £000             |
| PFI finance leases  | (100,567)        | (97,043)         |
| Other finance leases  | (1,465)          | (1,412)          |
| Cornwall Council - re Tamar Bridge and Torpoint Ferry Joint Committee | (16,620)         | (18,412)         |
| <b>Total</b>  | <b>(118,652)</b> | <b>(116,867)</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 2020   | Provisions Made in Year | Payments Used in Year | Unused Amounts Reversed in Year | 31 March 2021   |
|-----------------------------|-----------------|-------------------------|-----------------------|---------------------------------|-----------------|
|                             | £000            | £000                    | £000                  | £000                            | £000            |
| Insurance provision         | (2,886)         | (2,817)                 | 2,030                 | 203                             | (3,470)         |
| Landfill site provision     | (8,042)         | (934)                   | 309                   | 0                               | (8,667)         |
| Other provisions            | (1,929)         | (7,056)                 | 0                     | 0                               | (8,985)         |
| <b>Total Provisions</b>     | <b>(12,857)</b> | <b>(10,807)</b>         | <b>2,339</b>          | <b>203</b>                      | <b>(21,122)</b> |

The provisions include short-term provisions of £3.065m (2019/20: £2.987m) and long-term provisions of £18.057m (2019/20: £9.870m).

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 £8.667m as at 31 March 2021 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 47 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 £8.945m as at 31 March 2021 (2019/20: £1.889m) 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 2020    | 31 March 2021    |
|--|----------------------|------------------|------------------|
|  |                      | £000             | £000             |
| <b>Unusable Reserves:</b>                            |                      |                  |                  |
| Revaluation Reserve                                  | <a href="#">22.1</a> | 228,398          | 238,171          |
| Capital Adjustment Account                           | <a href="#">22.2</a> | 132,260          | 121,269          |
| Financial Instruments Adjustments Account            | <a href="#">22.3</a> | (26,618)         | (26,044)         |
| Pensions Reserve                                     | <a href="#">22.4</a> | (467,951)        | (597,660)        |
| Cash Flow Hedge Reserve                              | <a href="#">22.5</a> | 0                | 5,706            |
| Collection Fund Adjustment Account                   | <a href="#">22.6</a> | (1,621)          | (34,309)         |
| Accumulating Compensated Absences Adjustment Account |                      | (1,603)          | (2,059)          |
| Deferred Capital Receipts                            |                      | 16               | 11               |
| Financial Instruments Revaluation Reserve            |                      | (5,717)          | (1,903)          |
| Pooled Investment Fund Adjustment Account            |                      | 1,626            | 1,843            |
| <b>Total Unusable Reserves</b>                       |                      | <b>(141,210)</b> | <b>(294,975)</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  | 2019/20         | 2020/21        |
|--|-----------------|----------------|
|  | £000            | £000           |
| <b>Balance at 1 April</b>  | <b>202,521</b>  | <b>228,398</b> |
| Upward revaluation of assets   | 47,781          | 32,482         |
| Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the Provision of Services                   | (6,072)         | (15,742)       |
| <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>41,709</b>   | <b>16,740</b>  |
| Release of Investment Property Balance   | (1,927)         | 0              |
| Difference between fair value depreciation and historical cost depreciation  | (13,720)        | (3,285)        |
| Accumulated gains on assets sold or scrapped   | (185)           | (3,682)        |
| <b>Amount Written Off to the Capital Adjustment Account</b>  | <b>(15,832)</b> | <b>(6,967)</b> |
| <b>Balance at 31 March</b>   | <b>228,398</b>  | <b>238,171</b> |

## 22.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations. These are then charged to the 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   | 2019/20        | 2020/21        |
|--|----------------|----------------|
|  | £000           | £000           |
| <b>Balance at 1 April</b>  | <b>204,544</b> | <b>132,260</b> |
| Release of Investment Property balance in the Revaluation Reserve  | 1,927          | 0              |
| <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  | (27,675)       | (22,380)       |
| Revaluation losses on Property, Plant and Equipment  | (11,853)       | (540)          |
| Amortisation of intangible assets  | (7)            | (7)            |
| Revenue expenditure funded from capital under statue   | (10,588)       | (20,483)       |
| 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 | (446)          | (9,871)        |
| Adjusting amounts written out of the Revaluation Reserve   | 13,720         | 6,967          |
| Revaluation losses on Share Purchase   | (73,435)       | (60)           |
| <b>Capital Financing Applied in the Year:</b>  |                |                |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | 1,661          | 1,843          |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | 14,425         | 21,674         |
| <b>Amounts Reserved for Future Capital Funding:</b>  |                |                |
| Statutory provision for the financing of capital investment charged against the General Fund (includes TBTF element)                                     | 10,872         | 19,721         |
| Capital expenditure charged against General Fund   | 523            | 533            |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement                         | 5,526          | (8,300)        |
| Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement  | 256            | 0              |
| <b>Other Movement on the CAA in Year:</b>  |                |                |
| Landfill Site Provision  | 944            | (934)          |
| Write down of long-term debtors  | (458)          | (1,478)        |
| Deferred credit - Energy from Waste  | 2,324          | 2,324          |
| <b>Balance at 31 March</b>   | <b>132,260</b> | <b>121,269</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  | 2019/20         | 2020/21         |
|---|-----------------|-----------------|
|   | £000            | £000            |
| <b>Balance at 1 April</b>   | <b>(27,227)</b> | <b>(26,618)</b> |
| Adjustment between Financial Instruments Revaluation Reserve for prior year   | 0               | 20              |
| Financial Instruments written off   | 0               | (57)            |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory   | 544             | 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 | 65              | 67              |
| <b>Balance at 31 March</b>  | <b>(26,618)</b> | <b>(26,044)</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  | 2019/20          | 2020/21          |
|--|------------------|------------------|
|  | £000             | £000             |
| <b>Balance at 1 April</b>  | <b>(554,631)</b> | <b>(467,951)</b> |
| Opening balance adjustment   | 0                | 9                |
| Actuarial gains or losses on pensions assets and liabilities   | 49,409           | (110,721)        |
| 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 | (49,586)         | (37,568)         |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | 85,682           | 14,781           |
| (Increase)/decrease in Plymouth's share of next deficit in year of Devon County Council Pension Fund   | 1,175            | 3,790            |
| <b>Balance at 31 March</b>   | <b>(467,951)</b> | <b>(597,660)</b> |

## 22.5 Cash Flow Hedge Reserve

The Cash Flow Hedge Reserve holds the cumulative gains or losses on financial derivatives used in designated and effective cash flow hedges. See also note [18.6](#). The following table shows the transactions posted to the account during the year:



| Movement in Cash Flow Hedge Reserve  | 2019/20  | 2020/21      |
|--|----------|--------------|
|  | £000     | £000         |
| <b>Balance at 1 April</b>  | <b>0</b> | <b>0</b>     |
| Hedge gains/(losses) recognised in Other Comprehensive Income *                                    | 0        | 6,078        |
| Amounts reclassification to Financing and Investment Income and Expenditure as interest expense ** | 0        | (372)        |
| <b>Balance at 31 March</b>   | <b>0</b> | <b>5,706</b> |

\* Includes fair value charge plus cash flows plus accrual

\*\* Cash flows plus accrual reversed to Finance Income and Expenditure

## 22.6 Collection Fund Adjustment Account

The collection fund adjustment account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the collection fund.

| Collection Fund Adjustment Account  | 2019/20      | 2020/21       |
|---|--------------|---------------|
|   | £000         | £000          |
| <b>Balance at 1 April</b>   | <b>5,514</b> | <b>1,621</b>  |
| Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated from the year in accordance with statutory requirements | (3,893)      | 32,688        |
| <b>Balance at 31 March</b>  | <b>1,621</b> | <b>34,309</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   | 2019/20         | 2020/21         |
|--|-----------------|-----------------|
|  | £000            | £000            |
| <b>Net Surplus or (Deficit) on the Provision of Services</b>   | <b>(45,718)</b> | <b>(13,807)</b> |
| Adjust net surplus or deficit on the provision of services for non-cash movements:   |                 |                 |
| Depreciation   | 27,675          | 22,380          |
| Impairment and downward valuations   | (3,794)         | 0               |
| Amortisation   | 7               | 0               |
| Impairment losses on investments debited to surplus or deficit on the Provision of Services in year                                    | 6,459           | 59              |
| Adjustments for effective interest rates   | 61              | 1,255           |
| (Increase)/decrease in interest creditors  | (607)           | 5,038           |
| (Increase)/decrease in creditors   | 2,428           | 5,307           |
| (Increase)/decrease in interest and dividend debtors   | (107)           | (62)            |
| (Increase)/decrease in debtors   | 5,264           | (8,990)         |
| (Increase)/decrease in inventories   | 12              | 156             |
| Pension liability  | (37,271)        | 18,999          |
| Revaluation Losses on Share Purchase   | 73,435          | 0               |
| Contributions to/(from) Provisions   | (1,745)         | 8,266           |
| Donations  | (256)           | 0               |
| Carrying amount of non-current assets sold   | 446             | 6,189           |
| Movement in Investment Property values   | (5,526)         | 8,300           |
| <b>Total</b>   | <b>66,481</b>   | <b>66,897</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   | (16,150)        | (24,980)        |
| Proceeds from the sale of short-term and long-term investments   | 3,047           | 12,000          |
| Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets                                     | (2,209)         | (1,663)         |
| <b>Total</b>   | <b>(15,312)</b> | <b>(14,643)</b> |
| <b>Net Cash Flows from Operating Activities</b>  | <b>5,451</b>    | <b>38,447</b>   |

The cash flows for operating activities include the following items:

| Analysis of Interest Paid and Received | 2019/20  | 2020/21 |
|--|----------|---------|
|  | £000     | £000    |
| Interest received                      | 3,385    | 4,527   |
| Interest paid                          | (11,201) | (9,871) |

### 23.2 Cash Flow Statement – Investing Activities

| Analysis of Investing Activities   | 2019/20          | 2020/21         |
|--|------------------|-----------------|
|  | £000             | £000            |
| Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets                 | (187,379)        | (75,727)        |
| Purchase of short-term and long-term investments   | (20,000)         | (9,862)         |
| Other payments for Investing Activities  | (4,099)          | 4,434           |
| Proceeds from the sale of Property, Plant and Equipment, Investment Properties and Intangible Assets | 2,231            | 1,668           |
| Proceeds from short-term and long-term investments   | 4,893            | 0               |
| Other Receipts from Investing Activities   | 54,939           | 42,266          |
| <b>Net Cash Flows from Investing Activities</b>  | <b>(149,415)</b> | <b>(37,221)</b> |

### 23.3 Cash Flow Statement – Financing Activities

| Analysis of Financing Activities                        | 2019/20        | 2020/21      |
|---|----------------|--------------|
|   | £000           | £000         |
| Cash receipts of short-term and long-term borrowing     | 745,790        | 97,042       |
| Billing Authorities - Council Tax and NDR adjustments   | 1,014          | 2,962        |
| Repayment of short-term and long-term borrowing         | (592,501)      | (112,917)    |
| Payments for the reduction of a finance lease liability | (49)           | (1,511)      |
| Payments for the reduction of a PFI liability           | (3,363)        | 16,267       |
| <b>Net Cash Flows from Financing Activities</b>         | <b>150,891</b> | <b>1,843</b> |

### 23.4 Cash Flow Statement – Cash and Cash Equivalents

| Analysis of Cash and Cash Equivalents                | 2019/20       | 2020/21       |
|--|---------------|---------------|
|  | £000          | £000          |
| Cash and bank balances                               | 379           | 0             |
| Cash Investments - regarded as cash equivalents      | 37,715        | 41,414        |
| Tamar Bridge and Torpoint Ferry                      | 696           | 445           |
| <b>Net Cash Flows from Cash and Cash Equivalents</b> | <b>38,790</b> | <b>41,859</b> |

## 24 Pooled Budgets – Integrated Fund

The Council has a pooled budget arrangement with the Devon Clinical Commissioning Group (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 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 risk share allows for the Council and Devon 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. In 2020/21, because of the

global pandemic, and its effects on the costs of health and social care, it was agreed to amend the risk share for the year to 0% risk on both parties to the agreement. This decision will be reviewed for 2021/22.

| Pooled Budget - Integrated Fund                                     | 2019/20        | 2020/21        |
|---|----------------|----------------|
|   | £000           | £000           |
| <b>Contribution to the Pooled Budget:</b>                           |                |                |
| Plymouth City Council's contribution:                               |                |                |
| Pooled  | 183,847        | 191,784        |
| Aligned   | 71,722         | 76,868         |
| <b>Total Plymouth City Council</b>                                  | <b>255,569</b> | <b>268,652</b> |
| Devon CCG's contribution:   |                |                |
| Pooled  | 139,155        | 165,884        |
| Aligned   | 241,662        | 221,118        |
| <b>Total Devon CCG</b>  | <b>380,817</b> | <b>387,002</b> |
| <b>Total Combined Integrated Fund</b>                               | <b>636,386</b> | <b>655,654</b> |
| <b>Expenditure Met from the Pooled Budget:</b>                      |                |                |
| Plymouth City Council   | 255,680        | 274,755        |
| Devon CCG   | 380,982        | 390,350        |
| <b>Total Expenditure on Integrated Fund</b>                         | <b>636,662</b> | <b>665,105</b> |
| <b>Net (Surplus)/Deficit on the Integrated Fund During the Year</b> | <b>276</b>     | <b>9,451</b>   |

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

| Plymouth Better Care Fund               | 2019/20       | 2020/21       |
|---|---------------|---------------|
|   | £000          | £000          |
| Devon CCG Lead Commissioner             | 10,334        | 10,904        |
| Plymouth City Council Lead Commissioner | 11,081        | 11,415        |
| <b>Total Plymouth Better Care Fund</b>  | <b>21,415</b> | <b>22,319</b> |

On 1 April 2019, NEW Devon CCG merged with South Devon CCG and is now known as Devon CCG.

## 25 Members' Allowances

The Council paid the following amounts to members of the council during the year:

| Analysis of Members' Allowances        | 2019/20      | 2020/21      |
|--|--------------|--------------|
|  | £000         | £000         |
| Basic allowance                        | 627          | 644          |
| Special responsibility                 | 375          | 373          |
| Travel, subsistence and other expenses | 2            | 0            |
| <b>Total</b>                           | <b>1,004</b> | <b>1,017</b> |

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 | Compensation for Loss of Office | Pension Contributions | Total Remuneration | Notes   |
|---|----------------|-------------------------------|---------------------------------|-----------------------|--------------------|---|
| <b>Salary over £150,000</b>                           |                | <b>£</b>                      | <b>£</b>                        | <b>£</b>              | <b>£</b>           |   |
| Tracey Lee - Chief Executive (Head of Paid Service)   | 2020/21        | 163,573                       | 0                               | 27,153                | 190,726            |   |
|   | 2019/20        | 188,551                       | 0                               | 23,402                | 211,953            | Includes election duty payments as the Returning Officer.                                   |
| <b>Salary over £50,000 but less than £150,000</b>     |                |                               |                                 |                       |                    |   |
| Assistant Chief Executive                             | 2020/21        | 121,001                       | 0                               | 20,086                | 141,087            | Includes additional duties payments from 2019/20.   |
|   | 2019/20        | 123,762                       | 0                               | 15,988                | 139,750            | Includes additional duties payments and election duty payments as Deputy Returning Officer. |
| Director of Children's Services                       | 2020/21        | 128,438                       | 0                               | 21,321                | 149,759            |   |
|   | 2019/20        | 125,000                       | 0                               | 18,375                | 143,375            | Post shared with Torbay Council until 10 January 2020.                                      |
| Director of Public Health                             | 2020/21        | 108,553                       | 0                               | 15,610                | 124,163            |   |
|   | 2019/20        | 107,837                       | 0                               | 15,507                | 123,344            |   |
| Strategic Director of Customer and Corporate Services | 2020/21        | 128,438                       | 0                               | 21,321                | 149,759            |   |
|   | 2019/20        | 125,915                       | 0                               | 18,375                | 144,290            | Includes election duty payments.  |
| Strategic Director for People                         | 2020/21        | 128,438                       | 0                               | 21,321                | 149,759            |   |
|   | 2019/20        | 125,445                       | 0                               | 18,375                | 143,820            |   |
| Strategic Director for Place                          | 2020/21        | 131,499                       | 0                               | 21,829                | 153,328            |   |
|   | 2019/20        | 127,980                       | 0                               | 18,813                | 146,793            |   |

| Senior Management Post                                     | Financial Year | Salaries, Fees and Allowances | Compensation for Loss of Office | Pension Contributions | Total Remuneration | Notes   |
|--|----------------|-------------------------------|---------------------------------|-----------------------|--------------------|---|
| Service Director for Children, Young People and Families   | 2020/21        | 97,613                        | 0                               | 16,204                | 113,817            |   |
|  | 2019/20        | 69,462                        | 0                               | 10,211                | 79,673             | A new position. Post holder commenced on 8 July 2019.   |
| Service Director for Customer Services and Service Centre  | 2020/21        | 38,537                        | 35,977                          | 0                     | 74,514             | The post holder left the Council on 18 December 2020.   |
|  | 2019/20        | 88,443                        | 0                               | 0                     | 88,443             | Includes election duty payments.  |
| Service Director for Community Connections                 | 2020/21        | 77,521                        | 0                               | 12,868                | 90,389             |   |
|  | 2019/20        | 75,891                        | 0                               | 11,091                | 86,982             | Includes election duty payments.  |
| Service Director for Economic Development                  | 2020/21        | 100,485                       | 0                               | 16,800                | 117,285            |   |
|  | 2019/20        | 97,526                        | 0                               | 14,479                | 112,005            |   |
| Service Director for Education, Participation and Skills   | 2020/21        | 34,678                        | 0                               | 5,757                 | 40,435             | A new post holder commenced 16 November 2020.   |
|  | 2020/21        | 79,521                        | 0                               | 13,200                | 92,721             | The post holder left the Council on 31 December 2020.   |
|  | 2019/20        | 102,428                       | 0                               | 15,057                | 117,485            |   |
| Service Director for Finance (Section 151 Officer)         | 2020/21        | 37,333                        | 0                               | 6,197                 | 43,530             | A new post holder commenced 23 November 2020.   |
|  | 2020/21        | 68,390                        | 0                               | 0                     | 68,390             | The post holder left the Council on 15 December 2020.   |
|  | 2019/20        | 100,000                       | 0                               | 0                     | 100,000            | Includes acting up payments for Interim Strategic Director for Transformation and Change.       |
| Service Director for HR and Organisational Development     | 2020/21        | 97,613                        | 0                               | 16,204                | 113,817            |   |
|  | 2019/20        | 67,800                        | 0                               | 9,948                 | 77,748             | A new post holder commenced 15 July 2019. Includes election duty payments.                      |
| Service Director for Integrated Commissioning              | 2020/21        | 94,111                        | 0                               | 15,622                | 109,733            |   |
|  | 2019/20        | 92,492                        | 0                               | 13,464                | 105,956            | Includes election duty payments.  |
| Service Director for Strategic Planning and Infrastructure | 2020/21        | 101,205                       | 0                               | 16,800                | 118,005            |   |
|  | 2019/20        | 98,496                        | 0                               | 14,479                | 112,975            |   |
| Service Director for Street Services                       | 2020/21        | 86,312                        | 0                               | 13,938                | 100,250            |   |
|  | 2019/20        | 36,866                        | 0                               | 11,910                | 48,776             | Role covered by Service Lead (SS&W) from 16 September 2019. Appointed to role 03 February 2020. |
|  | 2019/20        | 16,416                        | 0                               | 2,413                 | 18,829             | The post holder left the Council on 31 May 2019.  |

| Senior Management Post                      | Financial Year | Salaries, Fees and Allowances | Compensation for Loss of Office | Pension Contributions | Total Remuneration | Notes   |
|---|----------------|-------------------------------|---------------------------------|-----------------------|--------------------|---|
| Head of Legal Services (Monitoring Officer) | 2020/21        | 71,102                        | 0                               | 11,803                | 82,905             | Role covered by the Assistant Head of Legal Services. |
|   | 2019/20        | 69,399                        | 0                               | 10,172                | 79,571             |   |

*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 | 2019/20   |             | 2020/21   |             |
|-----------------------|-----------|-------------|-----------|-------------|
|                       | Schools   | Non-schools | Schools   | Non-schools |
| £50,000 - £54,999     | 17        | 26          | 18        | 45          |
| £55,000 - £59,999     | 12        | 28          | 14        | 27          |
| £60,000 - £64,999     | 3         | 4           | 6         | 2           |
| £65,000 - £69,999     | 3         | 8           | 1         | 9           |
| £70,000 - £74,999     | 3         | 2           | 2         | 4           |
| £75,000 - £79,999     | 4         | 2           | 2         | 3           |
| £80,000 - £84,999     | 1         | 1           | 3         | 1           |
| £85,000 - £89,999     | 2         | 2           | 2         | 3           |
| £90,000 - £94,999     | 1         | 0           | 2         | 0           |
| £95,000 - £99,999     | 0         | 1           | 1         | 0           |
| £100,000 - £104,999   | 0         | 0           | 0         | 1           |
| <b>Total</b>          | <b>46</b> | <b>74</b>   | <b>51</b> | <b>95</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 |              |
|---------------------|-----------------------------------|----------|-----------------------------------|------------|--|------------|--|--------------|
|                     | 2019/20                           | 2020/21  | 2019/20                           | 2020/21    | 2019/20                                    | 2020/21    | 2019/20                                  | 2020/21      |
|                     |                                   |          |                                   |            |  |            | £000                                     | £000         |
| £00,001 - £20,000   | 24                                | 6        | 33                                | 74         | 57   | 80         | 481                                      | 851          |
| £20,001 - £40,000   | 4                                 | 1        | 6                                 | 27         | 10   | 28         | 265                                      | 749          |
| £40,001 - £60,000   | 1                                 | 2        | 1                                 | 0          | 2  | 2          | 96                                       | 92           |
| £60,001 - £80,000   | 0                                 | 0        | 0                                 | 0          | 0  | 0          | 0  | 0            |
| £80,001 - £100,000  | 0                                 | 0        | 0                                 | 0          | 0  | 0          | 0  | 0            |
| £100,001 - £150,000 | 2                                 | 0        | 0                                 | 0          | 2  | 0          | 211                                      | 0            |
| <b>Total</b>        | <b>31</b>                         | <b>9</b> | <b>40</b>                         | <b>101</b> | <b>71</b>                                  | <b>110</b> | <b>1,053</b>                             | <b>1,692</b> |

The Council terminated the contracts of a number of employees in 2020/21, including school based staff, incurring liabilities of £1.692m (2019/20: £1.053m). This includes a sum of £0.093m to the pension fund in respect of pension strain payments (for example, of the payments in the £40,001 - £60,000 band, 61% 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.



## 27 External Audit Costs

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

| Analysis of External Audit Costs  | 2019/20    | 2020/21    |
|---|------------|------------|
| 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        | 183        |
| Fees payable in respect of other services provided by Grant Thornton LLP during the year                                    | 18         | 29         |
| <b>Total</b>  | <b>123</b> | <b>212</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 |  | 2020/21             |                           |               |
|-------------------------------------|--|---------------------|---------------------------|---------------|
|                                     |  | Central Expenditure | Individual Schools Budget | Total         |
| Note                                |  | £000                | £000                      | £000          |
| A                                   | Final DSG before academy and high needs recoupment       |                     |                           | 218,216       |
| B                                   | Academy and high needs figure recouped                   |                     |                           | (144,787)     |
| <b>C</b>                            | <b>Total DSG after Academy and high needs recoupment</b> |                     |                           | <b>73,429</b> |
| D                                   | Brought forward from 2019/20                             |                     |                           | (202)         |
| E                                   | Carry-forward to 2021/22 agreed in advance               |                     |                           | 0             |
| F                                   | Agreed initial budgeted distribution in 2020/21          | 25,548              | 47,679                    | 73,227        |
| G                                   | In year adjustments                                      | 0                   | (478)                     | (478)         |
| <b>H</b>                            | <b>Final budgeted distribution</b>                       | <b>25,548</b>       | <b>47,201</b>             | <b>72,749</b> |
| I                                   | Less actual central expenditure                          | 24,639              |                           | 24,639        |
| J                                   | Less actual ISB deployed to schools                      |                     | 47,225                    | 47,225        |
| K                                   | Plus Local Authority contribution                        |                     |                           | 0             |
| <b>L</b>                            | <b>Carry-forward to 2021/22 agreed in advance</b>        | <b>909</b>          | <b>(24)</b>               | <b>885</b>    |

- A. Final DSG figure before any amount has been recouped from the authority excluding the January 2021 early years block adjustment.
- B. Figure recouped from the authority in 2020/21 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 2020/21.
- D. Figure brought forward from 2019/20.

- E. Any amount which the authority decides after consultation with the school forum to carry forward to 2021/22 rather than distribute in 2020/21. This may be the difference between estimated and final DSG for 2020/21 or a figure brought forward from 2019/20 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 2020/21.
- 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 2021/22 which has the effect of substituting for DSG in funding the Schools Budget.
- L. Carry forward to 2021/22:
  - 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 2021/22 already agreed.

## 29 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21:

| Credited to Taxation and Non-specific Grant Income and Expenditure | 2019/20         | 2020/21         |
|--|-----------------|-----------------|
|  | £000            | £000            |
| Section 31 Grants  | (6,277)         | (36,060)        |
| Capital Grants and Contributions                                   | (10,143)        | (14,228)        |
| PFI Credits  | (6,740)         | (6,728)         |
| Revenue Support Grant  | (9,533)         | (9,688)         |
| <b>Total</b>   | <b>(32,693)</b> | <b>(66,704)</b> |

| Grants Credited to Services                        | 2019/20          | 2020/21          |
|--|------------------|------------------|
|  | £000             | £000             |
| Benefits Admin Grant                               | (935)            | (913)            |
| Dedicated Schools Grant and Other Education Grants | (69,955)         | (75,863)         |
| Housing Benefit Subsidy                            | (68,202)         | (64,848)         |
| Learning and Skills Council                        | (2,946)          | (3,050)          |
| Improved Better Care Fund                          | (10,454)         | (11,738)         |
| Transforming Social Care Grant                     | (2,194)          | (7,853)          |
| New Homes Bonus                                    | (4,026)          | (3,423)          |
| Public Health Grant                                | (14,664)         | (15,864)         |
| Troubled Families Grant                            | (1,061)          | (957)            |
| Arts Council                                       | (2,032)          | (1,337)          |
| Department of Health Grant                         | 0                | (7,276)          |
| COVID-19 Emergency Fund                            | (8,464)          | (31,694)         |
| Other Revenue Grants                               | (14,046)         | (22,016)         |
| <b>Total</b>                                       | <b>(198,979)</b> | <b>(246,832)</b> |

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the grantor. The grants are held 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                          | 2019/20      | 2020/21      |
|--|--------------|--------------|
|  | £000         | £000         |
| Adult Skills Budget, Participation Funding & Support Funds (including OCSW)      | 96           | 206          |
| Business role on behalf of SWLEP   | 145          | 352          |
| City Deal - A deal for young people  | 477          | 292          |
| Controlling Migration Fund (Plymouth Integrate II)                               | 418          | 121          |
| COVID-19 Additional Dedicated Home to School and College Transport/Travel demand | 0            | 256          |
| COVID-19 Contain Outbreak Management Fund  | 0            | 3,148        |
| COVID-19 National Leisure Recovery Fund  | 0            | 331          |
| COVID-19 Test and Trace Service  | 0            | 1,143        |
| Universal Credit Funding (From 20-21 included in HB New Burdens Welfare Reform)  | 88           | 0            |
| Green Minds  | 0            | 945          |
| Future High Street Fund  | 130          | 0            |
| HB New Burdens (Welfare Reform)  | 188          | 0            |
| Local Authority EU Exit Preparation (BREXIT)                                     | 67           | 124          |
| ODPH Ringfenced Grant  | 261          | 0            |
| Syrian Resettlement Programme (SRP)  | 0            | 665          |
| Heating and Cooling Network Grant (ESCo/HNDU)                                    | 208          | 135          |
| One Public Estate Phase 4  | 203          | 304          |
| RegEnergy  | 8            | 111          |
| South Yard Marine Business Technology (16R16P01307)                              | 168          | 0            |
| Export Health Certificate Support Fund Grant                                     | 0            | 150          |
| iMayflower   | 372          | 290          |
| Other  | 407          | 377          |
| <b>Total</b>   | <b>3,236</b> | <b>8,950</b> |

| Capital Grant Receipts in Advance - Current Liabilities | 2019/20       | 2020/21       |
|---|---------------|---------------|
|   | £000          | £000          |
| Department for Transport                                | 18,466        | 25,111        |
| Environment Agency                                      | 285           | 0             |
| Highways England  | 0             | 189           |
| Sport England   | 539           | 199           |
| Football Foundation                                     | 1,190         | 1,189         |
| Historic England  | 272           | 30            |
| Heritage Lottery Fund                                   | 222           | 0             |
| Arts Council  | 0             | 725           |
| Growth Deal   | 0             | 14,379        |
| Growth and Housing Fund                                 | 4,470         | 4,470         |
| Homes England   | 375           | 600           |
| Ministry for Housing, Communities and Local Government  | 5,171         | 5,545         |
| European Regional Development Funding                   | 0             | 1,258         |
| Garfield Weston Foundation                              | 250           | 0             |
| Department for Business, Energy and Industrial Strategy | 289           | 9,841         |
| Warm Homes Fund   | 239           | 567           |
| Heatnet   | 0             | 400           |
| Office of Police & Crime Commissioner                   | 0             | 326           |
| S278 Agreements   | 199           | 199           |
| Other   | 439           | 309           |
| <b>Total</b>  | <b>32,406</b> | <b>65,337</b> |

| Capital Grant Receipts in Advance - Long-term Liabilities | 2019/20       | 2020/21       |
|---|---------------|---------------|
|   | £000          | £000          |
| Heritage Lottery Fund                                     | 12,123        | 12,617        |
| Arts Council  | 3,150         | 3,966         |
| European Regional Development Agency                      | 1,007         | 2,247         |
| Department for Transport                                  | 283           | 2,103         |
| Section 106   | 16,454        | 13,754        |
| Growth Deal   | 43,538        | 30,212        |
| Homes England   | 11,920        | 10,421        |
| <b>Total</b>  | <b>88,475</b> | <b>75,320</b> |

### 30 Related Parties

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  | 2019/20     |             |                                   | 2020/21     |             |                                   |
|--|---|-------------|-------------|-----------------------------------|-------------|-------------|-----------------------------------|
|  |   | Receipts    | Payments    | Outstanding Balances/ Commitments | Receipts    | Payments    | Outstanding Balances/ Commitments |
| <b>Subsidiaries, Associates and Joint Arrangements</b> |   | <b>£000</b> | <b>£000</b> | <b>£000</b>                       | <b>£000</b> | <b>£000</b> | <b>£000</b>                       |
| <b>Subsidiaries</b>                                    |   |             |             |                                   |             |             |                                   |
| 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.   | (160)       | 1,446       | (182)                             | (147)       | 995         | 138                               |
| 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.   | (264)       | 1           | 0                                 | (78)        | 0           | 78                                |
| <b>Joint Arrangements</b>                              |   |             |             |                                   |             |             |                                   |
| DELT Shared Services Ltd                               | DELT provide ICT and systems to partners. DELT is jointly and equally controlled and owned by Plymouth City Council and Devon CCG.  | (536)       | 11,998      | (154)                             | (242)       | 11,875      | 5                                 |
| 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. | (62)        | 27          | 0                                 | (50)        | 3           | 50                                |

## 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 2020/21 is disclosed in note [25](#).

Members and Officers of the Council have returned 76 declarations of Related Party Transactions for 2020/21, a response rate of 90 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 Devon Clinical Commissioning Group. 2020/21 was the sixth 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 per cent owned by schools and 51 per cent by the Council and serves almost 2.5 million meals to Plymouth school children every year.

Plymouth City Council is the majority shareholder of CATER<sup>ed</sup> with 51 per cent 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.

### ▪ **Arca (Plymouth) Ltd**

Arca (Plymouth) Ltd is a wholly owned subsidiary of the Council which is responsible for the administration and management of The Box and St Luke's Church which opened in September 2020.

## 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 per cent and its contribution to the partnership for 2020/21 was £0.331m (2019/20: £0.332m).

### ▪ **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  | 2019/20         | 2020/21         |
|---|-----------------|-----------------|
|   | £000            | £000            |
| <b>Opening Capital Financing Requirement 1 April</b>  | <b>568,585</b>  | <b>740,983</b>  |
| <b>Capital Investment</b>   |                 |                 |
| Property, Plant and Equipment   | 65,733          | 57,204          |
| Investment Properties   | 47,577          | 26,558          |
| Heritage Assets   | 217             | 1,304           |
| Assets Held for Sale  | 154             | 0               |
| Initial recognition of Donated Assets   | 256             | 0               |
| Revenue Expenditure Funded from Capital Under Statute   | 10,588          | 20,483          |
| Initial recognition of share purchase   | 73,435          | 60              |
| Other capital expenditure   | 1,425           | 3,543           |
| <b>Total</b>  | <b>199,385</b>  | <b>109,152</b>  |
| <b>Sources of Finance</b>   |                 |                 |
| Capital Receipts  | (1,661)         | (1,843)         |
| Other movements in Long-Term Debtors  | 185             | (117)           |
| Grants and Contributions applied in year  | (14,425)        | (21,674)        |
| Revenue and Other Funds   | (523)           | (533)           |
| Minimum Revenue Provision   | (10,872)        | (19,721)        |
| Use of landfill provision   | 309             | 309             |
| <b>Total</b>  | <b>(26,987)</b> | <b>(43,579)</b> |
| <b>Closing Capital Financing Requirement 31 March</b>   | <b>740,983</b>  | <b>806,556</b>  |
| <b>Explanation of Movement in Year</b>  |                 |                 |
| Increase in underlying need to borrow   | 165,646         | 61,286          |
| Increase in underlying need to borrow resulting from other changes in capital financing requirement | 6,752           | 4,287           |
| <b>Increase/Decrease in Capital Financing Requirement</b>   | <b>172,398</b>  | <b>65,573</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 - Council as a Lessor            | 31 March 2020  | 31 March 2021  |
|---|----------------|----------------|
|   | £000           | £000           |
| Not later than one year                           | 12,028         | 15,309         |
| Later than one year and not later than five years | 39,789         | 49,829         |
| Later than five years                             | 286,353        | 186,413        |
| <b>Total</b>                                      | <b>338,170</b> | <b>251,551</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 £5.687m was made in 2020/21 (2019/20: £5.622m). Payments remaining to be made under the PFI contract at 31 March 2021, 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 2020/21  | 2,555                | 1,042                                | 2,090         | 5,687         |
| Payable in 2021/22                     | 2,594                | 1,136                                | 1,999         | 5,729         |
| Payable within two to five years       | 11,122               | 5,596                                | 6,888         | 23,606        |
| Payable within six to ten years        | 16,045               | 9,610                                | 5,542         | 31,197        |
| Payable within eleven to fifteen years | 8,315                | 6,548                                | 965           | 15,828        |
| <b>Total</b>                           | <b>38,076</b>        | <b>22,890</b>                        | <b>15,394</b> | <b>76,360</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           | 2019/20       | 2020/21       |
|-------------------------------------|---------------|---------------|
|                                     | £000          | £000          |
| Balance outstanding 1 April         | 24,925        | 23,932        |
| Payments during the year            | (993)         | (1,042)       |
| <b>Balance Outstanding 31 March</b> | <b>23,932</b> | <b>22,890</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 2020/21          | 3,927                | 197                                  | 3,632         | 7,756          |
| Payable in 2021/22                             | 4,282                | 65                                   | 3,620         | 7,967          |
| Payable within two to five years               | 17,104               | 2,351                                | 14,025        | 33,480         |
| Payable within six to ten years                | 25,660               | 5,126                                | 15,826        | 46,612         |
| Payable within eleven to fifteen years         | 29,684               | 11,165                               | 11,503        | 52,352         |
| Payable within sixteen to twenty years         | 23,394               | 14,820                               | 3,460         | 41,674         |
| Payable within twenty one to twenty five years | 0                    | 0                                    | 0             | 0              |
| <b>Total</b>                                   | <b>100,124</b>       | <b>33,527</b>                        | <b>48,434</b> | <b>182,085</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           | 2019/20 Plymouth Share | 2019/20 Deferred Income | 2020/21 Plymouth Share | 2020/21 Deferred Income |
|-------------------------------------|------------------------|-------------------------|------------------------|-------------------------|
|                                     | £000                   | £000                    | £000                   | £000                    |
| Balance outstanding 1 April         | 33,819                 | 48,797                  | 33,725                 | 46,473                  |
| Payments during the year            | (94)                   | (2,324)                 | (197)                  | (2,324)                 |
| <b>Balance Outstanding 31 March</b> | <b>33,725</b>          | <b>46,473</b>           | <b>33,528</b>          | <b>44,149</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 2020/21, Plymouth City Council paid £3.892m to Teachers' Pensions in respect of teachers' retirement benefits (2019/20: £3.375m). There were no contributions remaining payable at the year-end. In 2020/21 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 have been incorporated into the pension notes as at 31 March 2021.

## PENSION INFORMATION FOR PLYMOUTH CITY COUNCIL SCHEME (PCC)

### Transactions Relating to Post-Employment Benefits

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

The following transactions have been made in the CIES and the General Fund Balance via the MiRS during the year:

| Comprehensive Income and Expenditure Statement  | 2019/20       | 2020/21        |
|---|---------------|----------------|
|   | £000          | £000           |
| <b>Cost of Services</b>   |               |                |
| Service cost comprising:  |               |                |
| current service cost  | 28,668        | 26,745         |
| past service cost   | 7,048         | 98             |
| (gain)/loss from settlements  | 634           | (905)          |
| <b>Financing and Investment Income and Expenditure</b>  |               |                |
| Net interest expense  | 11,867        | 10,444         |
| <b>Other Operating Expenditure</b>  |               |                |
| Administration expenses   | 515           | 544            |
| <b>Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>  | <b>48,732</b> | <b>36,926</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)   | 78,635        | (162,702)      |
| actuarial gains and losses arising on changes in demographic assumptions  | (16,058)      | (12,664)       |
| actuarial gains and losses arising on changes in financial assumptions  | (115,092)     | 304,288        |
| experience gain/(loss) on defined benefit obligation  | 8,945         | (20,265)       |
| other   | (4,264)       | 0              |
| <b>Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>   | <b>898</b>    | <b>145,583</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 | (48,732)      | (36,926)       |
| <b>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</b>   |               |                |
| employers' contribution payable to the scheme   | 85,278        | 14,360         |
| retirement benefits payable to pensioners   | 3,231         | 3,178          |
| adjustment re: net increase/(decrease) per LGR pension liability  | 1,175         | 3,790          |

### 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) | 2019/20            | 2020/21            |
|--|--------------------|--------------------|
|  | £000               | £000               |
| <b>Opening Balance at 1 April</b>  | <b>(1,250,004)</b> | <b>(1,163,520)</b> |
| Current service cost   | (28,668)           | (26,745)           |
| Interest cost  | (29,652)           | (26,974)           |
| Contributions by scheme participants   | (5,589)            | (5,843)            |
| Re-measurement (gain) and losses:  |                    |                    |
| actuarial gains/losses arising from changes in demographic assumptions                 | 16,058             | 12,664             |
| actuarial gains/losses arising from changes in financial assumptions                   | 115,092            | (304,288)          |
| experience loss/(gain) on defined benefit obligation                                   | (8,945)            | 20,265             |
| Past service costs, including curtailments   | (7,048)            | (98)               |
| Liabilities assumed/(extinguished) on settlements                                      | (1,518)            | 2,249              |
| Benefits paid  | 34,672             | 33,941             |
| Unfunded pension payments  | 2,082              | 2,058              |
| <b>Closing Present Value of Liabilities</b>  | <b>(1,163,520)</b> | <b>(1,456,291)</b> |

| Reconciliation of the Movement in the Fair Value of Scheme (Plan) Assets             | 2019/20          | 2020/21          |
|--|------------------|------------------|
|  | £000             | £000             |
| <b>Opening Fair Value of Scheme Assets</b>   | <b>713,571</b>   | <b>711,467</b>   |
| Interest income  | 17,785           | 16,530           |
| Re-measurement gain/(loss):  |                  |                  |
| the return on plan assets, excluding the amount included in the net interest expense | (78,635)         | 162,702          |
| other actuarial gains/(losses)   | 4,264            | 0                |
| Administration expenses  | (515)            | (544)            |
| Contributions from employer  | 85,278           | 14,360           |
| Contributions from employees into the scheme   | 5,589            | 5,843            |
| Benefits paid  | (36,754)         | (35,999)         |
| Settlement prices received/(paid)  | 884              | (1,344)          |
| <b>Closing Present Value of Assets</b>   | <b>711,467</b>   | <b>873,015</b>   |
| <b>Closing Balance at 31 March</b>   | <b>(452,053)</b> | <b>(583,276)</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 £583.276m 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 2022 is £12.231m.

### 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 2021.

| Basis for Estimating Assets and Liabilities | 2019/20 | 2020/21 |
|---|---------|---------|
| Mortality assumptions:                      |         |         |
| Longevity at 65 for current pensioners:     |         |         |
| men   | 22.9    | 22.6    |
| women                                       | 24.1    | 23.9    |
| Longevity at 65 for future pensioners:      |         |         |
| men   | 24.3    | 24.0    |
| women                                       | 25.5    | 25.4    |
| Rate of inflation (CPI)                     | 1.9%    | 2.8%    |
| Rate of increase in salaries                | 2.9%    | 3.8%    |
| Rate of increase in pensions                | 1.9%    | 2.8%    |
| Rate for discounting scheme liabilities     | 2.4%    | 2.0%    |

| 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)                             | 1,392,768              | 1,456,921 | 1,522,795              |
| Rate of increase in salaries (increase or decrease by 0.1%)            | 1,453,994              | 1,456,921 | 1,458,607              |
| Rate of increase in pensions (increase or decrease by 0.1%)            | 1,430,255              | 1,456,921 | 1,482,842              |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | 1,485,415              | 1,456,921 | 1,427,765              |

### 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 | 2019/20    | 2020/21    |
|---|------------|------------|
|   | %          | %          |
| Equities  | 69         | 72         |
| Gilts   | 4          | 3          |
| Property  | 13         | 12         |
| Cash  | 1          | 1          |
| Other investments                                 | 13         | 12         |
| <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 | 2019/20        | 2020/21        |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| Present value of the defined benefit obligation                | 1,128,448      | 1,424,510      |
| Fair value of plan assets                                      | (711,467)      | (873,015)      |
| <b>Net Liability</b>   | <b>416,981</b> | <b>551,495</b> |
| Other movements in the liability                               | 35,072         | 31,781         |
| <b>Net Liability Arising from Defined Benefit Obligation</b>   | <b>452,053</b> | <b>583,276</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  | 2019/20      | 2020/21      |
|---|--------------|--------------|
|   | £000         | £000         |
| <b>Cost of Services</b>   |              |              |
| Service cost  | 740          | 564          |
| <b>Financing and Investment Income and Expenditure</b>  |              |              |
| Net interest expense  | 113          | 79           |
| <b>Total Post-employment Benefit Charged to the Surplus/Deficit on the Provision of Services</b>  | <b>853</b>   | <b>643</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)   | 680          | (1,212)      |
| actuarial gains and losses arising on changes in demographic assumptions  | (522)        | 175          |
| actuarial gains and losses arising on changes in financial assumptions  | (1,155)      | 3,234        |
| experience gain/(loss) on defined benefit obligation  | (579)        | (133)        |
| <b>Total Post-employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>   | <b>(723)</b> | <b>2,707</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 | (854)        | (643)        |
| <b>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</b>   |              |              |
| Employers' contribution payable to the scheme   | 404          | 420          |

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

| Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation) | 2019/20         | 2020/21         |
|--|-----------------|-----------------|
|  | £000            | £000            |
| <b>Opening Balance at 1 April</b>  | <b>(13,946)</b> | <b>(12,528)</b> |
| Adjustment to opening balance  | 0               | 10              |
| Current service cost   | (700)           | (564)           |
| Past service cost  | (40)            | 0               |
| Interest cost  | (342)           | (292)           |
| Contributions from scheme participants   | (109)           | (111)           |
| Re-measurement (gain) and losses:  |                 |                 |
| actuarial gains/losses arising from changes in demographic assumptions                 | 521             | (175)           |
| actuarial gains/losses arising from changes in financial assumptions                   | 1,155           | (3,234)         |
| experience loss/(gain) on defined benefit obligation                                   | 579             | 133             |
| Benefits paid  | 354             | 357             |
| <b>Closing Present Value of Liabilities</b>  | <b>(12,528)</b> | <b>(16,404)</b> |

| Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets            | 2019/20        | 2020/21        |
|--|----------------|----------------|
|  | £000           | £000           |
| <b>Opening fair value of scheme assets</b>   | <b>9,483</b>   | <b>9,191</b>   |
| Interest income  | 229            | 213            |
| Re-measurement gain/(loss):  |                |                |
| the return on plan assets, excluding the amount included in the net interest expense | (680)          | 1,212          |
| Contributions from employer  | 404            | 420            |
| Contributions from employees into the scheme   | 109            | 111            |
| Benefits paid  | (354)          | (357)          |
| <b>Closing Fair Value of Scheme Assets</b>   | <b>9,191</b>   | <b>10,790</b>  |
| <b>Closing Balance at 31 March</b>   | <b>(3,337)</b> | <b>(5,614)</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 £5.614m 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 2022 is £0.837m.

### 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 2021.

### 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 2021.

| Basis for Estimating Assets and Liabilities | 2019/20 | 2020/21 |
|---|---------|---------|
| Mortality assumptions:                      |         |         |
| Longevity at 65 for current pensioners:     |         |         |
| men   | 21.4    | 21.5    |
| women                                       | 23.6    | 24.1    |
| Longevity at 65 for future pensioners:      |         |         |
| men   | 22.3    | 22.8    |
| women                                       | 25.1    | 25.8    |
| Rate of increase in salaries                | 1.9%    | 2.9%    |
| Rate of increase in pensions                | 1.9%    | 2.9%    |
| Rate for discounting scheme liabilities     | 2.3%    | 2.0%    |

## 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 no known contingent liabilities to report.

## COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2021

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.

| 2019/20         |                  |                  |  | Note     | 2020/21         |                  |                  |
|-----------------|------------------|------------------|--|----------|-----------------|------------------|------------------|
| Business Rates  | Council Tax      | Total            |  |          | Business Rates  | Council Tax      | Total            |
| £000            | £000             | £000             | <b>Income</b>  |          | £000            | £000             | £000             |
| 0               | (136,264)        | (136,264)        | Council tax receivable                                     | <u>1</u> | 0               | (140,888)        | (140,888)        |
| (89,155)        | 0                | (89,155)         | Business rates receivable                                  | <u>2</u> | (39,364)        | 0                | (39,364)         |
| <b>(89,155)</b> | <b>(136,264)</b> | <b>(225,419)</b> |  |          | <b>(39,364)</b> | <b>(140,888)</b> | <b>(180,252)</b> |
|                 |                  |                  | <b>Expenditure</b>   |          |                 |                  |                  |
|                 |                  |                  | <b>Apportionment of Previous Year's Surplus/ (Deficit)</b> |          |                 |                  |                  |
| (6,075)         | 0                | (6,075)          | Central Government   |          | (1,437)         | 0                | (1,437)          |
| (8,985)         | 1,655            | (7,330)          | Plymouth City Council                                      |          | (349)           | 1,115            | 766              |
| 0               | 212              | 212              | Devon and Cornwall Police and Crime Commissioner           |          | 0               | 156              | 156              |
| (152)           | 95               | (57)             | Devon and Somerset Fire and Rescue Service                 |          | (18)            | 64               | 46               |
| <b>(15,212)</b> | <b>1,962</b>     | <b>(13,250)</b>  |  |          | <b>(1,804)</b>  | <b>1,335</b>     | <b>(469)</b>     |
|                 |                  |                  | <b>Precepts, Demands and Shares</b>                        |          |                 |                  |                  |
| 44,993          | 0                | 44,993           | Central Government   |          | 45,376          | 0                | 45,376           |
| 44,093          | 110,807          | 154,900          | Plymouth City Council                                      |          | 44,469          | 117,482          | 161,951          |
| 0               | 15,533           | 15,533           | Devon and Cornwall Police and Crime Commissioner           |          | 0               | 16,535           | 16,535           |
| 900             | 6,331            | 7,231            | Devon and Somerset Fire and Rescue Service                 |          | 907             | 6,583            | 7,490            |
| <b>89,986</b>   | <b>132,671</b>   | <b>222,657</b>   |  |          | <b>90,752</b>   | <b>140,600</b>   | <b>231,352</b>   |
|                 |                  |                  | <b>Charges to the Collection Fund</b>                      |          |                 |                  |                  |
| 218             | 0                | 218              | Renewable Energy Disregard                                 |          | 211             | 0                | 211              |
| 593             | 714              | 1,307            | Write offs of uncollectable amounts                        |          | 253             | 1,659            | 1,912            |
| 111             | 1,071            | 1,182            | Increase/(Decrease) in Bad Debt Provision                  |          | 949             | 1,218            | 2,167            |
| 1,300           | 0                | 1,300            | Increase/(Decrease) in Provision for Appeals               |          | 14,400          | 0                | 14,400           |
| 314             | 0                | 314              | Cost of collection allowance                               |          | 311             | 0                | 311              |
| <b>2,536</b>    | <b>1,785</b>     | <b>4,321</b>     |  |          | <b>16,124</b>   | <b>2,877</b>     | <b>19,001</b>    |
| <b>(11,845)</b> | <b>154</b>       | <b>(11,691)</b>  | <b>(Surplus)/Deficit for the Year</b>                      |          | <b>65,708</b>   | <b>3,924</b>     | <b>69,632</b>    |
|                 |                  |                  | <b>Collection Fund Balance</b>                             |          |                 |                  |                  |
| 14,143          | (2,898)          | 11,245           | Balance as at 1 April                                      |          | 2,298           | (2,744)          | (446)            |
| (11,845)        | 154              | (11,691)         | (Surplus)/Deficit for the year (as above)                  |          | 65,708          | 3,924            | 69,632           |
| <b>2,298</b>    | <b>(2,744)</b>   | <b>(446)</b>     | <b>Balance as at 31 March</b>                              |          | <b>68,006</b>   | <b>1,180</b>     | <b>69,186</b>    |
|                 |                  |                  | Allocated to:  |          |                 |                  |                  |
| 1,684           | 0                | 1,684            | Central Government   |          | 34,003          | 0                | 34,003           |
| 591             | (2,292)          | (1,701)          | Plymouth City Council                                      |          | 33,323          | 985              | 34,308           |
| 0               | (322)            | (322)            | Devon and Cornwall Police and Crime Commissioner           |          | 0               | 140              | 140              |
| 23              | (130)            | (107)            | Devon and Somerset Fire and Rescue Service                 |          | 680             | 55               | 735              |
| <b>2,298</b>    | <b>(2,744)</b>   | <b>(446)</b>     | <b>Total Allocated</b>                                     |          | <b>68,006</b>   | <b>1,180</b>     | <b>69,186</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: 74,603 in 2020/21 (2019/20: 73,172).

The basic amount of Council Tax for a Band D property (2020/21: £1,884.65) 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                             | 44,612                            | 30,298                           | 20,190             | 98.0%                      | 19,786                      |
| B                             | 31,370                            | 25,884                           | 20,132             | 98.0%                      | 19,729                      |
| C                             | 22,140                            | 19,825                           | 17,622             | 98.0%                      | 17,270                      |
| D                             | 9,233                             | 8,482                            | 8,482              | 98.0%                      | 8,312                       |
| E                             | 4,827                             | 4,566                            | 5,581              | 98.0%                      | 5,469                       |
| F                             | 1,749                             | 1,662                            | 2,400              | 98.0%                      | 2,352                       |
| G                             | 550                               | 518                              | 863                | 98.0%                      | 846                         |
| H                             | 25                                | 18                               | 36                 | 98.0%                      | 35                          |
|                               | <b>114,506</b>                    | <b>91,253</b>                    | <b>75,306</b>      |                            | <b>73,799</b>               |
| Adjustment for MOD Properties |                                   |                                  |                    |                            | 804                         |
| <b>Tax Base Totals</b>        |                                   |                                  | <b>75,306</b>      |                            | <b>74,603</b>               |

The Council Tax Base was calculated at the time the 2020/21 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 £140.601m (£1,884.65 x 74,603). In practice, however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £140.888m (2019/20: £136.264m).

### 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 51.2p in 2020/21 (2019/20: 50.4p).

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 2020/21 were estimated before the start of the financial year as £45.365m to Central Government, £0.908m to DSFRA and £44.469m to Plymouth City Council.

These sums have been paid during 2020/21 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 2020/21 Plymouth had a baseline amount of £58.335m and received a tariff of £14.835m 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 £53.960m. As our adjusted retained income is above this level no safety net payment was due to Plymouth for 2020/21.

Section 31 Grant funding for Business Rate reliefs awarded by Central Government in 2020/21 was £6.555m based on the original estimates made in January 2020. Further reliefs of £45,690m were awarded during the year in response to the extended relief scheme introduced in March 2020.

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 2021 the Council included a provision of £8.945m.

For 2020/21, the total non-domestic rateable value at the end of the year was £229.973m (2019/20: £230.8m).

The total income from ratepayers in 2020/21 was £38.871m (2019/20: £89.155m), a reduction from 2019/20 due to the Governments extended relief scheme.

This sum included £1.7m 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.